

Canadian Policy Toward Co-operative Housing: A Study of Values in Conflict

by

John E. Jordan

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CANADIAN POLICY TOWARD
COOPERATIVE HOUSING.
A STUDY OF VALUES IN CONFLICT

JOHN E. JORDAN

A thesis submitted to the
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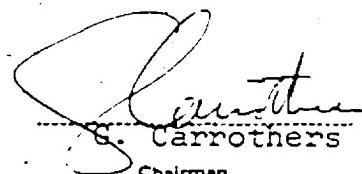
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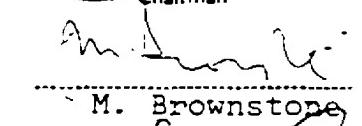
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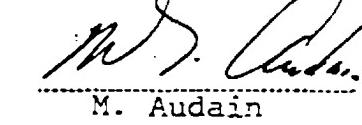
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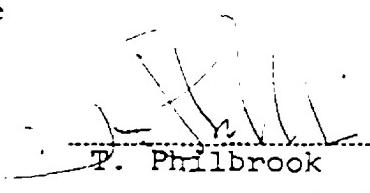
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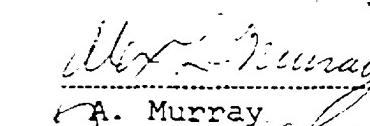
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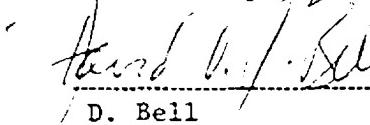
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ABSTRACT

This thesis examines the influence of the values of senior administrative policy makers as the primary reason for the difference in the policy of Central Mortgage and Housing Corporation toward the building co-operative as against the non-profit, continuing housing co-operative. Values are examined through an analysis of administrative policy decisions based upon CMHC documents, interviews with CMHC and co-operative officials. In contrast to former studies this thesis

focusses on:

as against:

Interplay of policy and administration

Studies of structure and process

Documentary analysis

Interviews

Values of administrative policy-makers

Perceptions, attitudes, opinions of policy-makers

Symbolic value of housing tenure in policy

Material value of housing tenure in policy

Chapters 2 and 3 in the thesis examine the relationship between studies of various phases of the policy process and the methods which are used. It concludes with the observation that the limited range of available methods is substantially responsible for the neglect of values in housing policy. The field of value research is then examined and an approach to values in policy studies is set forth.

Chapter 4 of the thesis examines the building co-operative in Canada and the beginnings of CMHC policy. This policy is shown to

have been empirically based and substantially in conformity with the values expressed in the building co-operative. Chapter 5 outlines the development of a new form of co-operative housing, the non-profit continuing housing co-operative. The range of values which are expressed in this form of housing are set forth.

Chapter 6 examines administrative policy making of CMHC toward the housing co-operative. The interpretation of the lending provisions under the National Housing Act, the question of below market interest rate loans for co-operatives and the resident income range are examined. It is argued that the primary rationale for the values *j* expressed in these administrative decisions were the values of the policy makers.

The conclusion of the study bears upon our limited knowledge of administrative policy making, the roles of values in policy, the nature of organizational units for the expression of greater value range in policy and the respective roles of executive and administrative policy making.

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ABBREVIATIONS

BMIR	Below Market Interest Rate
CCSD	Canadian Council on Social Development
CDAW	Co-operative Dwellings Association of Windsor
CHAM	Co-operative Housing Association of Manitoba
CHAT	Co-operative Habitat Association of Toronto
CHF	Co-operative Housing Foundation, Ottawa
CHS	Canadian Housing Statistics
CMHC	Central Mortgage & Housing Corporation
Co-op Habitat	Co-operative Habitat Association of Toronto
cue	Co-operative Union of Canada
FCH	Foundation for co-operative Housing, United Sta
NHA	The rational Housing Act
NLCC	National Labour Co-operative Committee
NSHC	Nova Scotia Housing Commission
OHC	Ontario Housing Corporation
The Act	The.National Housing Act
The Corporation	Central Mortgage & Housing Corporation

Chapter 1

INTRODUCTION: THE NATURE OF THE STUDY

Housing, like medical care, is becoming something which the middle class, as well as the poor, is finding it difficult to afford at market prices. A study of housing needs in the greater Toronto area concluded that 30% of the households requiring housing in the period 1966-1981 would have incomes sufficient to enable them to purchase adequate accommodation in the market. But 29% of the households would qualify for public-housing type subsidies, and 32% would require some assistance although not as great as that provided on a public housing basis.¹

But the housing problem is not one of cost alone¹. It involves as well the social fabric of urban areas, the multiplication of life styles with distinctive housing needs, and the social rights which accompany various forms of tenure. Given these multiple dimensions and the numbers of people in need, one wonders why Canadian government policy has not made greater use of non-profit and cooperative housing. Such housing has been used as a key element of the housing

1. Paterson Planning and Research, Housing Needs in the Metropolitan Toronto Planning Area March 28, 1969. M.A. Audain and A. Armitage concluded that this study comes closest conceptually to an adequate method for studies of this type. *Housing Requirements: A Review of Recent Canadian Research* (Ottawa: CCSD, 1972).-

policies of Western European countries especially for those families between the income requirements of public housing and the private market.² Even the United States has, on a per capita basis, made much more use of non-profit and cooperative housing.³

I have been working in the field of cooperative housing since 1966, and the question of why the Canadian government had not done more to encourage cooperative housing in particular arose from more than a rational interest in housing policy. In my work, I assisted lay groups and organizations to undertake the development of cooperative and non-profit housing projects, primarily in Ontario. I had regular contact with officials of Central Mortgage and Housing Corporation, the federal crown corporation from whom cooperatives generally received mortgage financing. Although officials were almost always courteous, and some were frequently helpful, it seemed that there was little understanding of, and even less interest in or enthusiasm for, cooperative housing. Each project necessitated spending considerable time introducing the concept of cooperative housing, and more time negotiating the numerous items which seemed to call for policy decisions by CMHC head office.

2. Cf. P.F. Wendt, *Housing Policy — The Search for Solutions, A Comparison of the United Kingdom, Sweden, West Germany, and the United States since World War II* (Los Angeles: University of California Press, 1963); S. Ruiz Lujan, *Housing Cooperatives* (Geneva: I.L.O., 1964); D.V. Donnison, *The Government of- Housing* (Harmondsworth: Penguin, 1967).
3. There are about 2000 continuing cooperative units in Canada as against over 200,000 units in the United States. Cf.- The Foundation for Cooperative Housing, "Cooperative Housing in the U.S.A." (Washington: FCH, 1971).

In 1971, I undertook a number of studies of social aspects of housing and a detailed study of cooperative housing for the Task Force on Low Income Housing of CMHC.⁴ In the course of the work, I had access to CMHC files and other materials, and could review how cooperative housing was perceived by CMHC officials. I also travelled across the country and interviewed branch office officials who had processed cooperative loan applications. Additional interviews of Head Office personnel were carried by a staff member of the Policy Planning Division according to an interview schedule which I had prepared. The completed report was published by CMHC,⁵ and a shortened version was contained in the Final Draft Report of the Task Force,⁶ and in the study by M. Dennis and S. Fish.⁷

The Task Force study was directed toward policy and program recommendations and did not seek to determine the basis of CMHC's position up to that time. One finding about the pattern of CMHC policy making did however provide a clue. From 1946 to about 1960, cooperative housing in Canada meant the building cooperative. These were composed:

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- 4. I was introduced to the Task Force by Prof. T. Philbrook who subsequently supervised this thesis.
 - 5. John Jordan. Cooperative Housing: Program Review and Proposal, TFLIH, Working Paper No. 7 (Ottawa: CMHC, 1971) 334 p. A copy of the Table of Contents forms Appendix A to this thesis.
 - 6. Task Force on Low Income Housing, Low Income Housing: The Social Aspects, (Ottawa, CMHC, October 30, 1971) Chapter VI, pp. 1 - 106.
 - 7. Programs in Search of a Policy (Toronto: Hakkert, 1972), pp. 248 - 261 and *passim*.

of a small group of families who actually constructed their houses. At some point following the completion of construction, the cooperative would be dissolved and the houses would be owned individually by the families who had constructed them. On the whole, CMHC had responded well to such cooperatives and had developed an empirically-based policy for them.

In the early 1960's, new starts for building cooperatives declined sharply, and the leadership of the cooperative movement put forward a new notion of cooperative housing, the non-profit, multi-unit housing cooperative. Unlike the building cooperative, ownership of the housing cooperative was vested in the cooperative in perpetuity and the member's equity did not increase over time. By the early 1970's, over a dozen developments were underway comprising nearly 2000 units. The National Housing Act provided for what it termed "continuing cooperatives", but these were continuing building cooperatives, which for various reasons retained the cooperative form for some years after the completion of construction. In Nova Scotia, for example, provincial regulations required that the cooperative be maintained until the mortgage was discharged.

The new housing cooperative differed from the building, or continuing building, cooperative in development method, physical form, intent of the residents, tenure, sponsorship and other ways. Even though the NHA had not been drafted with it in mind, the housing cooperative could be deemed to be covered by the provision for the continuing

(building) cooperative. As a result, it could be argued that no change in the NHA was necessary. This was precisely the position which CMHC adopted.

Since, however, the new type of housing cooperative differed significantly from the building cooperative, changes in policy and program requirements were necessary. CMHC did not institute such changes on the basis of thorough rational study. Instead, changes were evolved in the course of making administrative decisions in the processing of mortgage loan applications. The incremental approach meant that certain basic problems, such as the NHA itself, were never addressed and rectified. Furthermore, this approach meant that cooperative proponents always faced considerable uncertainty as to the policy which would be applied to each project. This was especially the case since policy was not consistently, nor uniformly, applied.⁸ And in many instances, it appeared that CMHC was quite unsympathetic toward this form of housing. It also seemed significant that policy was established by the Loans Division as it processed applications, rather than by a policy unit.

The clue then lay in the different kind of response which CMHC accorded to the two different forms of cooperative. This might have been affected somewhat by the nature of the policy-making unit.

8 Dennis and Fish see this as prevalent in CMHC. Programs in Search of a Policy, pp. 140 - 144.

My interest in the question of the basis of CMHC's posture continued beyond the completion of the Task Force study and provided the initial motivation for this thesis.

The literature on policy, and housing policy in particular, was not especially helpful in answering the question, but it did help to re-phrase it.

Doern and Aucoin have put forward a distinction between executive and administrative policy-making.[^] The former is primarily a function of cabinet ministers and the latter primarily a function of senior administrative personnel. As Doern and Aucoin show, most policy studies have been of executive policy-making. They suggest this is because major policy initiatives are thought to be decided at this level, and because cabinet ministers are public figures and thus available, in principle, to the investigator. Administrative policy-making, on the other hand, has been rather neglected because it is often thought of as dealing with relatively routine matters and because civil servants are not public figures and not, in principle, subject to public scrutiny.

- ~

Doern and Aucoin argue that administrative policy-making should receive increased emphasis because the greatest proportion of government spending is determined by the bureaucracy.

9. The balance of this chapter recapitulates material presented chiefly in chapters 2 and 3. References will be supplied here only for those items which are not noted in the appropriate place in the following chapters.

Since CMHC's position on cooperative housing was determined almost entirely by senior corporation personnel, it is a case of administrative policy-making. But it is necessary to become more specific, and this was assisted by studying the relationship between policy-making arena under study and the research method used.⁸ Easton's model of the policy process was used to classify housing policy studies by policy phase. Two main classes, conversion structure and process, and output and outcome, were examined. This led to the following findings.

First, studies of executive policy-making structure and process relied primarily upon interviews for basic information. Investigators did not have access to internal government documents, and consequently often lacked the means to verify verbal reports of how policy was made.

Second, the preoccupation with executive policy-making and the difficulties of access, have resulted in little understanding of the interplay between administration and policy. This involves both the contribution of administrative behaviour to the content of policy, and the gatekeeper function of senior administrators particularly with respect to policy change advocated by the clients of a department. Such understanding can only be obtained through the analysis of administrative decisions. This necessitates a new study technique, namely, "the analysis of specific administrative decisions to ascertain their value content. This requires access to written documentation-concerning

these decisions.

Third, studies of policy output and outcome focus almost exclusively upon policy impact defined in material terms (generally dollar value) and pay little attention to the personal and social meaning (symbolic value). Thus policy studies of different forms of housing tenure examine the cost to the government (or less commonly, the resident) but not the symbolic implications of leasehold versus freehold.⁴

Fourth, the salient values of policy-makers are rarely studied, although their attitudes or opinions are sometimes examined. This is due to three interrelated factors. First, social scientists for the past two decades have, under the influence of behaviouralism, devoted their research to attitudes and opinions. From a behavioural^{1st} - perspective, these are more tangible and manipulative. Second, there has been a lack of conceptual clarity about values and substantial problems of measurement. Even as more reliable means of measurement became available, executive and administrative policy-makers were thought to be unavailable as subjects for the particular test. Third, there was an important ambiguity contained in Easton's influential definition of policy as the "authoritative allocation of values."

Easton uses "values", in a broad and non-restrictive sense. It could encompass legislation as to the right to vote, setting tariff rates, income re-distributive policies, granting of a telephone monopoly, establishing compulsory military service. Easton refers specifically to "both spiritual and material" values, and discusses values

in terms of desirable societal end-states. The acknowledgement of the two dimensions of values has been largely overlooked in policy studies. It has commonly been reduced to the material aspect expressed in cost-benefit terms. As a result, the values of policy-makers were not considered relevant.

More recently, Dror, Lasswell, and others have called for both greater attention to symbolic values and for examination of the value commitments of policy-makers and clients. At the same time, Rokeach and other social scientists working in the tradition of Kluckhohn have made considerable progress toward clarifying both the conceptual basis and measurement techniques for value commitments. Rokeach's technique is quite specific and involves a test which it was not possible to use in this study. But Rokeach's finding that the spread between a subject's ranking of freedom as against equality is a good indicator of a broader constellation of social, political and economic values has been helpful.

Since these differences in the symbolic value of the building as against the housing cooperative, I began to compare these with the values of administrative policy-makers of CMHC. These policy-makers are seen as having personal, social, political, and economic values which are inevitably at play in their policy-making roles. If the values of the administrators are fairly homogeneous, then these values will also find expression in the basic policies of the organization.

Since it evolved out of administrative decisions, CMHC policy

toward the housing cooperative was developed primarily by the four senior officials of the Loans Division. The same four officials held these posts throughout the decade under consideration.¹⁰ The normal ambient of loans officials in the private development industry, and it is reasonable to expect that they would share its perspective and values, especially since CMHC as a whole is tightly integrated into the property development industry. L. Collins found CMHC "a lending institution dealing primarily with private businesses and with public agencies primarily with the values of private business..... The great majority of line and staff personnel express a preference for the 'force enterprise system'.¹¹ This is increasingly evident as more senior CMHC officials accept positions in the private development industry. In the past few years in Ontario, the two successive Ontario regional supervisors, the Toronto branch manager, two successive managing directors and the deputy managing director of OHC (all former CMHC officials) have assumed senior positions in the property development industry.¹² This is in contrast to J. Porter's finding "there is certainly no trend to close institutional links between the corporate world and the bureaucracy as judged by post-public service careers."¹³

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10. Executive Director, Director, 2 Assistant Directors.
 11. Analysis of Central Mortgage and Housing Corporation, TFLIH Working Paper, (CMHC 1971) p. 17.
 12. From personal acquaintance and reports in Ontario Housing, published by OHC.
 13. The Vertical Mosaic (Toronto 1965) p. 455.

The value system of the property development industry differs in some fundamental ways from non-profit cooperative housing. This was acknowledged by the present minister responsible for CMHC, Hon. Ron Basford as he replied to an interruption of his speech introducing the amendments to the NHA: "I can understand my hon. friend from Peel South (Mr. Blenkarn), being a developer himself, not being much in favour of the cooperative movement."¹⁴

In summary then, it seemed there was reasonable grounds for supposing that the nature of CMHC policy toward the housing cooperative was primarily a function of the values of administrative policy-makers. These values were implicitly or explicitly approved by the executive policy-makers, or else they were unaware of them. The question of policy change in this situation deserves examination because it might apply to any situation where minority group values confront the dominant value system.

Thus, the question was re-phrased as follows:

An analysis of the difference in response by CMHC to the housing cooperative as against the building cooperative,

focusing on:

Administrative policy-making

as against:

Executive policy-making

14. Canada, House of Commons Debates, Volume 117, Number 51 (March 15, 1973) p. 2270.

<u>focusing on:</u>	<u>as against:</u>
Interplay of policy and administration	Studies of structure and process
Documentary analysis	Interviews
Values of administrative policy-makers	Perceptions, attitudes, opinions of policy-makers
Symbolic value of housing tenure in policy	Material value of housing tenure in policy

Chapters 2 and 3 examine housing policy studies and research methods, and an approach to values in policy analysis. Chapter 4 examines the building cooperative, the relevant values of its proponents, and the initial formulation of CMHC policy. This chapter serves as a "base line" for the subsequent chapters on the housing cooperative.

Chapter 5 traces the emergence of the continuing housing cooperative, and the value set implicit in it. The next chapter reviews CMHC's response to the housing cooperative as presented in administrative decisions made in processing loan applications. This chapter is based on an analysis of the decisions in case studies presented in Cooperative Housing: Program Review and Proposal. The reader is referred to that publication for a more complete account of various decisions. Chapter 7 reviews the response of CMHC officials to representations by cooperative proponents for policy changes. It relates this process to the policy-making structure of CMHC, and to, interventions by executive policy-makers. It concludes with general observations about the implications of this study for the understanding of the policy process in liberal democracies.

Chapter 2

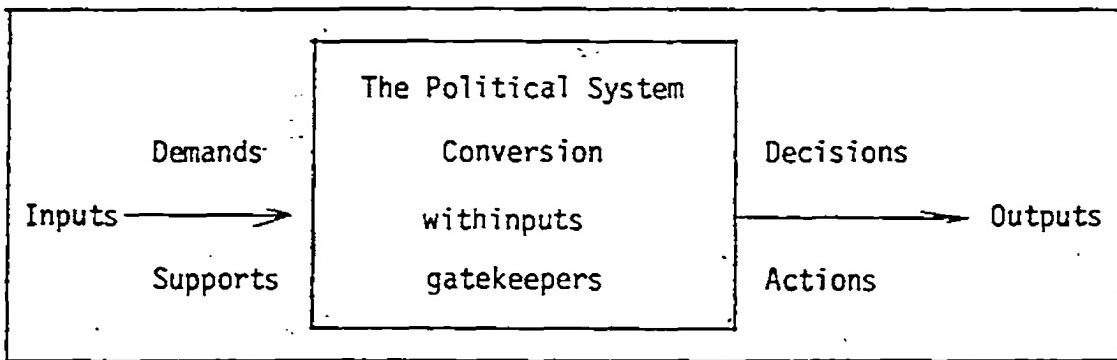
HOUSING POLICY: RESEARCH AND METHODS

David Easton's contention that the essential political function is "the authoritative allocation of values for a society"¹ and his model of the political conversion process² have assumed paradigmatic dimensions. They frequently form the basis for empirical research and are often used without attribution,³ thus denoting their passage into common currency.

Easton's model of the political conversion process is useful because it transcends the more customary lines of demarcation in policy analysis between the proponents of comprehensiveness, disjointed incrementalism, and mixed scanning.⁴ Consequently, it can be used to situate studies which have been carried out, and to facilitate our locating lacunae in the knowledge of the policy process.

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1. David Easton, The Political System, (New York: Knopf, 1953) p. 129.
 2. D. Easton, A Framework for Political Analysis, (New York: Prentice Hall, 1965).
 3. E.g., Peter Bachrach and Morton S. Baratz, Power and Poverty, (New York: Oxford University Press, 1970); Brett W. Hawkins, Politics and Urban Policies, (Indianapolis: The Bobbs-Merrill Company Inc., 1971).
 4. Michel Chevalier, A Strategy of Interest-Based Planning (unpublished Ph.D. thesis, University of Pennsylvania, 1968); David Braybrooke and Charles E. Lindblom, A Strategy of Decision (New York: The Free Press, 1970); A. Etzioni: The Active Society (London: Collier-Macmillan, 1968).

FIGURE I



Easton views the political system as imbedded in an environment from which it receives demands and support, and upon which it exercises effects through policy and action. These in turn affect the environment in which the political system is imbedded, and thus the nature of the demands and supports which are given to the system. Easton's delineation of the systemic properties provide both concepts and terms which allow the phases and relationships to be distinguished. In any concrete instance, the political system exhibits both structure and process, or the structure in action. Easton further distinguishes between outputs and outcomes of the political system: "The actual decisions and implementing actions are the outputs; the consequences traceable to them, however long the discernible chain of causation are the outcomes."⁵

This gives five salient characteristics of the model: input,

5. Easton, A Systems Analysis of Political Life (New York: John Wiley and Sons, Inc., 1967) p. 352.

conversion structure, conversion process, output, and outcome.

In the past few years, studies of housing and housing policy have increased greatly in numbers and technical sophistication. One can classify these studies according to the phase of housing policy-making which has received primary attention. I shall present only studies of Canadian housing policy, and selected studies of housing policy in the United States. This list is restricted to studies of policy, and does not include studies of the housing industry, demand and supply, or disciplinary-bounded studies (economics, sociology, anthropology, etc.) of housing.

Housing policy studies can be conveniently, and not without justice, divided into two classes. The larger class consists of studies concerning the scale and effectiveness of government housing programs. These are studies of policy output or outcome. They are, therefore, addressed to cost-benefit examination of various government programs such as public housing or rehabilitation. These studies may be examinations of policy currently in force or prescriptive studies. The other class consists of studies of the policy-making structure and process. These studies are more recent, and less common.

An examination of these various housing policy studies shows a high correlation between the phase of the policy process under study, and the techniques and methods used. The limitations of the various methods explains much of the concentration on certain aspects of the policy process and the neglect of others.

FIGURE 2: Conversion Structure and Process

Study Author ⁶	Arena		Method		Actor's	
	Execu-tive	Admini-strative	Inter-views	Docu-mentary	Atti-tudes	Values
Wolman	X	(X)	X		X	
Axworthy	X		X			
Bailey and Burns	X		X		X	
Dennis and Fish	X	(X)	X	X	X	
Collins	(X)	X	X		X	(X)
Patterson	X		X	X		

(X) represents a secondary interest

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6. Harold Wolman, Politics of Federal Housing (New York: Dodd, Mead and Company, 1971); Lloyd Axworthy, "The Housing Task Force: A Case Study", in G. Bruce Doern and Peter Aucoin, The Structures of Policy-Making in Canada (Toronto: Macmillan of Canada, 1971); Tom Burns and Leslie Bailey, Housing Policy Formulation at the Executive Level in Canada, (unpublished research proposal, York University, 1971); Michael Dennis and Susan Fish, Programs in Search of Policy: Low-Income Housing in Canada (Toronto: Hakkert, 1972); Larry Collins, Analysis of Central Mortgage and Housing Corporation (Ottawa: CMHC, 1971); J. Patterson, Decision and Organization: The Shaping of Housing Policy in Canada, An Outline for the Report, September 15, 1972.

As the chart makes clear, the studies of conversion process and structure have dealt almost exclusively with executive policy-making as against administrative policy-making.⁷ With rare exceptions, the method has been interviews with knowledgeable or influential actors. To the extent that there has been any interest in the personal disposition of the key policy actors, it has been restricted to perceptions of, or attitudes toward, selected issues, events or problems. They have not dealt with the deeper and more crucial issue of the values of key actors.

The distinction between executive and administrative policy-making has been made familiar by Doern and Aucoin. Executive policy-making "operates primarily in and around the cabinet" while administrative policy-making "operates primarily in and around the bureaucracy".⁸

In this study, the executive level is defined as the minister responsible for CMHC and the cabinet. The administrative level is defined as the staff and senior officials of CMHC. It is important to keep in mind, however, that CMHC is a proprietary crown corporation and traditionally has operated with little ministerial surveillance. Until 1969, this was expressed in CMHC's being responsible to a minister who also carried a full departmental portfolio, such as Public Works,

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7. (Wolman, Axworthy, and Bailey and Burns study the input phase, but a chart would replicate that above as to arena, method, and actor.)
 8. "Introduction" in The Structures of Policy-Making in Canada, p. 4.

Transportation, or Labour. Thus, de facto executive authority was normally lodged with the president and board of directors, although the minister did retain de jure executive power which enabled him to intervene in the Corporation's policy and decisions. In 1969, with the appointment of Hon. R. Andras and subsequently Hon. R. Basford, ministers have been relieved of additional portfolios, except the Ministry of State for Urban Affairs, and thus have been able to attend more to the affairs of CMHC.

Most students have focused on the executive level, on studies of the prime minister and his office, cabinets and committees, presidents and advisors, etc. This is true of housing studies as well, as exemplified particularly in the studies of Wolman, Dennis and Fish, Patterson, and Burns and Biley. Doern and Aucoin argue that the administrative level is "equally significant":

First, this second structure determines by far the greatest proportion of 'values' and 'outputs' authoritatively allocated, on an annual basis, by the political system. Secondly, it is grossly misleading to think that this pattern of allocations is merely the 'administration' of past policies,because allocations produced in this way often are re-allocated in directions unintended by the politician initially. These unintended outputs are caused partly because they are allocated by a complex bureaucracy which, by virtue of its complexity, is subject to the displacement of goals, and partly because the politician himself delegates such allocative roles to bodies within the bureaucracy or to so-called independent bodies...[These unintended outputs] are often 'rationally' contrived: that is, related to a different set of goals or assumptions later inserted by policy actors, which are just as effectively 'policies' as were the original general statements made by the politicians.⁹

The administrative level determines "by far the greatest proportion" of values and outputs not only because, as Doern and Aucoin later demonstrate, the greater proportion of government spending is a function of inherited legislative commitments, but also because the precise allocation of values is a function of the specific nature of operational decisions. As Easton states, policy includes that which is "lodged in the consequences of a practice."¹⁰ Thus, the never-formalized practice of branch office of CMHC to acquiesce in the practice of its approved lenders (insurance and trust companies, etc.) to not make mortgage loans in a lower-income inner-city area acquires the characteristic of a government policy. Many similar examples could be cited from other policy fields.

Doern and Aucoin suggest that policy goal displacement occurs because of the complexity of bureaucracies. (The above example may or may not be an example of such policy goal displacement.) This suggests that the remedy lies in structure and organization.

But such practices may not flow from complexity. They may flow from the values of the administrators. That is to say, a primary determinant of the policy output may be the values of the administrator which are at play in the making of specific allocative decisions.

Since specific allocations are a function of administrative

10. Easton, Political System, p. 131

decisions one must take due account of the effect of the values of administrators when assessing or designing government programs concerned with redistributive social change. Interests which are well organized and in possession of significant resources are less subject to administrative level policies which are contrary to their interests because they have access to the executive level. The recent federal government experience with the White Paper on Taxation is a case in point, one the government recognizes.¹¹

The working class and minorities are less likely to have such access, and are thus more subject to administrative policy making. If administrators perceive there to be significant value differences between themselves and the program clients, then the clients' values are likely to be disregarded or unrewarded.

A necessary (but not sufficient) component of a policy of redistributive social change is to control the impact of administrator's values upon programs and their clientele. This is contrary to much of the theory of public administration and the belief systems of bureaucrats which hold to the notion of the neutral bureaucracy and administrator, although it has been recognized especially in more recent studies.¹²

11. Globe and Mail, Toronto, March 16, 1971; Report of the (Federal) Interdepartmental Committee on Participation, October 18, 1971.

12. Meyer Brownstone, "The Douglas-Lloyd Governments: Innovation and Bureaucratic Adapation" in Laurier La Pierre et al., ed., Essays on the Left (Toronto: McClelland and Steward, 1971); Frank Marini, ed., Toward a New Public Administration, (Scranton: Chandler Publishing Company, 1971).

Some studies have examined the perceptions or attitudes of policy-makers. But these studies have been concerned with attitudes towards particular issues or problems, and thus have not gotten at fundamental values which undergird and permeate more transitory stances or particular matters. Attitudes and attitudinal change is a well recognized research area, and studies are not uncommon.¹³ But values have been overlooked, or confused with attitudes. Wolman, for example, has a section entitled "Decision-makers' Attitudes and Values"¹⁴ but he presents 'influentials' responses to a series of questions about their positions on specific housing issues, for example, housing priorities or rate of social change. These are properly matters of attitude and the term value occurs only in the section title.

Administrative policy-making is not confined to policy output as represented in operational decisions. Administrators also play a key role in drafting regulations, instructions, guidelines and operational policies which have a decisive effect on the nature of the allocative decisions which are made. Wolman and Taggart¹⁵ for example indicate the significance of a change in U.S. lending criteria from "economically sound" to "acceptable risk". This opened federal loans to many black and lower income families who would not have qualified previously.

13. M.J. Rosenberg et al., Attitude, Organization and Change (New Haven: Yale University Press, 1966).

14. H. Wolman, Politics of Federal Housing, (N.Y.: Dodd, Mead, 1971).

15. H. Wolman, Politics of Federal Housing; R. Taggart; Low-Income Housing: A Critique of Federal Aid (Baltimore: John Hopkins Press, 1970).

A major administrative policy-making function is that of gatekeeper. This gatekeeping function takes place in a variety of ways. There is first of all the control of internal program review and demands for modification on the basis of agency experience. Secondly, administrative gatekeeping screens client demands for program changes which are addressed to the bureaucracy. Thirdly, client demands directed to the executive level (e.g., a cabinet minister) are normally referred to the administrative level for response.

One of the most significant uses of the gatekeeping function is the technique of the non-decision which can be very effectively practiced at the administrative level. Bachrach and Baratz have identified four major barriers designed to meet and resist the challenge of insurgent or minority demands. All four are especially effective at the administrative level.

FIGURE 3: Decisions and Non-Decisions¹⁶

		Decision Making Arena	Implementation	Effective Policy Change	
Barrier 1	Barrier 2		Barrier 3		Barrier 4
Community Values	Procedures, Institutions		Defeat, Modification		Administrative interpretation, Limited or No Enforcement
NON-DECISION	NON-DECISION		DECISION		NON-DECISION

16. Bachrach and Baratz, Power and Poverty, p.54.

Methods: Interviews

A major reason for the concentration on the executive policy-making level is the limitation in study methods. Most studies have relied primarily on the interview. Executive actors are public figures and thus accessible in principle to this form of research. (Thordarson's¹⁷ study of the making of foreign policy in the Trudeau government is recent Canadian example.) It is normally not possible to research government documents and correspondence. Researchers have customarily regarded administrators as not accessible in principle, a position normally shared by the bureaucracy and its executive.

It is possible to research attitudes and perceptions through the interview method. This can be done through formal questionnaires, many of which have been tested in a considerable variety of situations. Content analysis of less structured interviews can also be undertaken.

But this interview technique is a weak method because it affords the interviewee considerable scope to manage the information and

17. Bruce Thordarson, Trudeau and Foreign Policy (Toronto: Oxford University Press, 1972).

attitudes which are transmitted.¹⁸ It is difficult to test the consistency of attitudes with actual decision, because the latter are usually not open to scrutiny. Dexter states that one of the basic conditions for relying on the interview method is that "inferences drawn from the interviews can be subjected to some sort of independent criticism, or preferably, vigorous test."¹⁹

A person's values can be tested only in relation to life decisions and this condition can not be met in an interview. Yet the policy actor, especially at the administrative level, is generally only accessible through the interview. The actual decisions are not available to the researcher. Thus one is reduced to operating at the level of avowed perceptions, attitudes, or opinions. And the values which inform and permeate these, and actions as well, remain invisible.

Output and Outcome

Studies of housing policy output and outcome are similarly clustered around executive policy-making, and customarily make use

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18. During 1971, CMHC branch office officials were interviewed on a number of occasions by staff of the Task Forces on Urban Assistance and Low Income Housing. Comparing interviews, investigators noted that many field staff tried to display more "progressive attitudes" (reaction toward public housing tenants and housing rehabilitation, for example) in successive interviews, as they sense that these were the preferred responses. For a more general discussion see Derek L. Phillips, Knowledge from What? (Chicago: Rand McNally and Company, 1971) Chaps. 1, 4, 5.
 19. Elite and Specialized Interviewing (Evanston: Northwestern U.P., 1970) p.13.

of macro-scale cost-benefit studies of program impact.

FIGURE 4: Output and Outcome

Study Author ²⁰	Arena		Method	
	Executive	Administrative	Macro Cost/Benefit	Micro Case Study
	X		X	
Rose	X		X	
Wendt	X		X	
Donnison	X		X	
Moskof	X		X	
Taggart	X		X	
Solomon	X	(X)		X

In this instance also, there is a high correlation between the focus on the executive arena and the use of a particular method of study. Macro-scale cost-benefit studies for example, examine the cost of subsidizing a given unit or household under various existing or potential programs. Significant conclusions as to the redistribution efficacy of major programs can be drawn from these studies. But they frequently

20. Albert Rose, "Canadian Housing Policies", in Michael Wheeler, ed., The Right to Housing (Montreal: Harvest House, 1969); Paul Wendt, Housing Policy - The Search for Solutions (Berkeley: University of California Press, 1963); D.V. Donnison, The Government of Housing (London: Penguin Books, 1967); Howard R. Moskof, "Foreign Housing Subsidy Systems", Papers Submitted on Housing Committee on Banking and Currency, U.S. House of Representatives (Washington: G.P.O., 1971) pp. 627-651; Robert Taggart, Low-Income Housing: A Critique of Federal Aid (Baltimore: The John Hopkins Press, 1970); Arthur Paul Solomon, Housing the Urban Poor (Unpublished Ph.D. thesis, Harvard University, 1971).

suffer from the margin of error or unavailability (resulting sometimes in a resort to inputted figures) of important data.²¹

More serious still is the inability of such studies to explain the phenomenon in question. Thus it may easily be shown that rental subsidization of state owned housing greatly exceeds subsidization, through rent supplements, of privately owned rental housing. But it does not explain this policy preference.

If policy represents an allocation of values then an explanation of the policy requires an understanding of the material and symbolic dimensions of the value being allocated. It is not sufficient to reduce the value to a dollar index.

Summary

In summary, studies of the policy structure and process have concentrated on executive policy making, and relied primarily upon the interview technique. Studies of policy output and outcome have also concentrated on executive policy making in examining the impact of large scale government programs.

21. A recent example from a national study of NHA financed housing for the elderly is suggestive. Although the CHS show 1,014 loans for such housing, the net number of occupied developments was 746.

Because these studies are exterior to the policy making institutions and must rely on published data or verbal reports, they cannot investigate the interplay of executive and administrative policy-making and operational decisions, and are forced into accepting second-hand descriptions of the policy process without access to independent means of verification. These limits of method and access are a major reason why the values of administrative policy actors have not been subject to study.

Chapter 3

VALUES IN POLICY STUDIES

1. The question of values in the study of policy is hardly new. It received explicit attention after World War II in the initial advocacy of policy sciences by Harold Lasswell and colleagues. In their seminal book, Robert K. Merton pointed to the necessity for the policy investigator to attend to the values of the policy-maker.

We assume that the policy-maker always has a set of values, tacit or explicit, which places limits upon the scope and nature of the applied research directed toward his problem. These "value-constants" circumscribe the alternative lines of action to be investigated. It is the task of the researcher to search out these values in order to know in advance the limits set upon the investigations by the policy-maker's values.¹

Merton's advice is modest indeed; he is interested in the values of the policy-maker only insofar as they suggest constraints on the scope of research or the direction of recommendations. The more crucial and systemic question of the implications for policy of a given distribution of values amongst key policy-makers is not raised.

As with much of the research program then advanced, little has been done until recently. In the interim, there were studies of

1. Robert Merton and Daniel Lerner, "Social Scientists and Research Policy", The Policy Sciences, ed. by D. Lerner and H. D. Lasswell (Stanford: Stanford University Press, 1951), p. 301.

values at the level of cultural themes or of national character² but not of values in relation to specific policies or policy alternatives. The neglect of values was due in no small measure to the fascination of the fast-rising behavioural sciences with more manipulable and superficial aspects of human activity, which, in this arena, meant a focus on attitudes and opinions rather than on values. Value research in the 1950's also suffered from the wide-spread conviction that values and strongly-held beliefs were no longer of great significance. The decisions necessary to progress on the road to the good society were to be settled by managerial methods.³ Research on values and ideology would contribute little. This reassuring view was overtaken both by events and by advances by social scientists who had not entirely succumbed to a behavioural framework.

At the present time, the field of value research is still very much unsettled. No paradigm has been widely accepted. Much of the recent literature begins with the statement acknowledging and deplored the confusion within the field.⁴

Broadly speaking, there are two approaches. One approach tends

2. E.g., Robin Williams, American Society; A Sociological Interpretation (New York: Knopf, 1951).
3. Chaim Waxman, ed., The End of Ideology Debate (New York: Simon and Schuster, 1969).
4. Nicholas Rescher, An Introduction to Value Theory (Englewood Cliffs, New Jersey: Prentice-Hall, 1969); William A. Scott, Values and Organizations (Chicago: Rand McNally, 1965); Marie Augusta Neal, Values and Interests in Social Change (Englewood Cliffs, New Jersey: Prentice-Hall, 1965).

to equate values with any evaluative action by man. Given the relativity of fact and value,⁵ this position would logically imply that any human judgement, if not analytic in a Kantian sense, would be evaluative. "Values to me, simply stated, are the determiners in man that influence his choices in life and that thus decide his behaviour. It follows then that the person who chooses beef over lamb, or pacifism over combat, or Occidentals over Orientals, or radicalism over conservatism does so, in each instance, in response to a given set of inner determiners called values."⁶ Values here encompass everything from the most serious to the most trivial.

Michelson provides another and especially instructive instance. In the beginning of his chapter on "Values and the Urban Environment," he states that values may have "the aura of an ultimate factor," and that people generally and social scientists particularly feel that when "when they talk of values they are speaking of something basic." But Michelson says he will not be so restrictive, and will use the term "quite eclectically." In practice, he reduces values from something basic or ultimate to simple matters of preference. Thus Michelson reports findings such as the following: "People who highly value convenience are likely to prefer more mixed land uses and small lot sizes."⁷ 'Greatly prefer' would be more to the point than 'highly

5. R.S. Hartman, The Structure of Value: Foundations of Scientific Axiology (Carbondale: Southern Illinois University, 1967); W. Eckhardt, Compassion: Toward a Science of Value (Oakville: CPRI Press, 1972).
6. Gail M. Inlow, Values in Transition (New York: Wiley, 1972), p. 2.
7. William H. Michelson, Man and his Urban Environment (Reading, Mass.: Addison-Wesley, 1970), pp. 131-147 *passim*.

value.' Michelson is really working in an older tradition, in which "values are functions of preferences"⁸, and are, therefore, relatively superficial and unstable.

Gunnar Myrdal also homogenizes all types of evaluative activity. He was led to this by his observation that valuations are often inconsistent, both within individuals and in the society, and over time as well. Myrdal did not concentrate sufficiently on the dynamics of evaluation within the individual (or the society) to perceive relatively stable core meanings. The term 'value' suggested stability and consistency to him and, as a result, he substituted the term attitudes as a general term for a valuation.⁹

Although this broad perspective is useful in returning attention to man's evaluative activity, it is not sufficient to enable us to distinguish peripheral from central elements.

The other major viewpoint distinguishes clearly and consciously between values and attitudes or opinions. Milton Rokeach is a leading exponent of this position. He argues¹⁰ that, for some time, investigators have been preoccupied with attitudes to the detriment of the

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- 8. E. L. Thorndike, "Presidential Address to the American Association for the Advancement of Science," Science (Jan. 31, 1936) cited, seemingly with approbation, in Clyde Kluckhohn, "The Scientific Study of Values and Contemporary Civilization", Proceedings of the American Philosophical Society, 102 (1958), 473.
 - 9. Gunnar Myrdal, Values in Social Theory: A Selection of Essays on Methodology (London: Routledge and Kegan Paul, 1958), pp. 77-78.
 - 10. Milton Rokeach, "The Role of Values in Public Opinion Research," Public Opinion Quarterly, 32 (1968-69).

distinction with values and studies of human values; the frequency of publication of material on attitudes is five to six times that on values: "this over-emphasis on attitude....is conceptually indefensible given the widely-accepted view that values, however difficult to define or to measure, play a more central and more dynamic role than attitudes within a person's cognitive-affective system."¹¹

Rokeach gives four reasons for his concentration on values rather than attitudes.

First, value seems to be a more dynamic concept since it has a strong motivational component as well as cognitive, affective, and behavioural components. Second, while attitude and value are both widely assumed to be determinants of social behaviour, value is a determinant of attitude as well as of behaviour. Third, if we assume that a person possesses considerably fewer values than attitudes, then the value concept provides us with a more economic analytical tool for describing and explaining similarities and differences between persons, groups, nations, and cultures.

....while attitudes seem to be a specialized concern mainly of psychology and sociology, values have long been a centre of theoretical attention across many disciplines - philosophy, education, political science, economics, anthropology, and theology, as well as psychology and sociology.

For Rokeach, values in contrast to attitudes,

have to do with modes of conduct and end-states of existence. To say that a person "has a value" is to say that he has an enduring belief that a specific mode of conduct or end-state of existence is personally and socially preferable to alternative modes of conduct or end-states of existence. Once a value is internalized it becomes, consciously or unconsciously, a standard criteria for guiding action, for developing and

11. Milton Rokeach, "The Measurement of Values and Value Systems," in Social Psychology and Political Behaviour, ed. by G. Abcarian and J. W. Searle (Columbus: Merrill, 1971), p. 21.

maintaining attitude towards relevant objects and situations, for justifying one's own and others actions and attitudes, for morally judging self and others, and for comparing self with others....while an attitude represents several beliefs focussed on a specific object or situation, a value is a single belief that transcendentally guides actions and judgements across specific objects and situations, and beyond immediate goals to more ultimate end-states of existence. Moreover, a value, unlike an attitude, is an imperative to action, not only a belief about the preferable but also a preference for the preferable.¹²

Other investigators have approached values in a similar fashion.

The International Study of Values in Politics defines values as a fundamental element: "by 'values' we mean the standards, or principles, in terms of which choices are made among alternative courses of action - that is, the normative component in the determination of action."¹³

They propose that "the values that leaders hold make a difference in what they do." This paper is concerned with a very similar proposition; that the policy output reflects the values of the policy-makers, and that in specifiable circumstances, the values of administrative policy-makers will be critical.

Finally, we cite Dean and Whyte whose statement of the relationship is unmistakeably clear: "the informant's values, that is, the

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12. Milton Rokeach, Beliefs, Attitudes and Values, (San Francisco: Jossey-Bass, 1970), pp. 157-158.
 13. P.E. Jacob in International Studies of Values in Politics, Values, and the Active Community (New York: Free Press, 1971), pp. 3-4.

organizing principles that underlie his opinions, attitudes, and behaviour."¹⁴

2. It is not sufficient to be able to make the distinction between concepts of attitudes and values. There are other sources of confusion which attend the concept of value within policy literature.

One of the most troublesome would seem to stem from the equivocation on the meaning of the concept value within the Eastonian lineage. When Easton introduced the notion of "the authoritative allocation of values" he made it clear that he was not referring only to economic values, or only to the allocation of funds to various interests.

In fact, he took pains to establish the contrary. He refers to decisions about the distribution of goods "both spiritual and material".¹⁵ He spends the better portions of two additional chapters arguing the need to strengthen the place of moral values in political science. "We are compelled to project our moral views into an image of the kind of society and political system we would accept as desirable and in this way to formulate a view of what we conceive to be the good political life. Only through an enterprise such as this could we then say that we had clarified our values or made them explicit" (p. 231). Easton's concept of the values which are authoritatively allocated include basic dimensions of societal end-states.

14. In Lewis A. Dexter, Elite and Specialized Interviewing (Evanston: Northwestern University Press, 1970), pp. 120-121.

15. David Easton, The Political System: An Inquiry into the State of Political Science (New York: A.A. Knopf, 1953), Chapter 9.

In Eastonian terms, when a government authoritatively allocates a value, it will often allocate both material and spiritual (or symbolic) values. Thus, when a government puts special emphasis on benefits or puts special emphasis on home-ownership, home-owners gain both materially and symbolically. The material benefit of tax-write-off for mortgage interest and property taxes in the United States and Great Britain, of a non-taxable capital gain on sale of principal residence in Canada, greater assistance for home-ownership than non-profit rental under the 1973 NHA amendments, and the home owner grants of several western provinces are all quite clear. But this policy also confers upon home-owners a statue which it would not otherwise enjoy. This is the symbolic aspect.

Despite this clarity, one not uncommonly finds authors who cite Easton, but who use values only in a material or monetary sense. Wolman, for example, has a chapter entitled "The Values in Question--Housing in America."¹⁶ This chapter is meant to provide the basic context for his investigation of the housing policy system in the United States. This chapter is devoted to a description of the nature of the housing problem, particularly for a low-income people, and the types of public programs which exist in response to it. Public housing, urban renewal, subsidy systems, and segregation and

16. Harold Wolman, Politics of Federal Housing (New York: Dodd, Mead and Company, 1971).

integration are discussed under the sub-heading "The Authoritative Allocation of Values".¹⁷ For each type of program, Wolman traces the introduction of the legislation and the major amendments to it, a brief assessment of the program, and the current standing among those who are knowledgeable about housing policy. But most importantly, he puts considerable emphasis on legislative authorizations, funding appropriations and the pattern of take-up. For example he points out that the U.S. Housing Act of 1949 authorized 810,000 units of public housing to be built over a six-year period. By the end of 1969, only 670,000 units had been completed, due both to low Congressional appropriations and slow municipal take-up.

For Wolman, the value which is being authoritatively allocated is housing units expressed in number of units, total appropriations, and program type. But there are other values being allocated which Wolman largely ignores. These are the values which inhere in the form of tenure. He does note the widespread reservations about living in public housing, and also comments upon the great American desire for home ownership. These hint at the values which are involved from the standpoint of program clients, but there is still little realization that the government authoritatively allocates values of this order.

There are signs however of increasing sensitivity to the importance of values in policy. H. D. Lasswell has written for many years of the impact of values and personal dispositions on

17. Ibid., p. 26.

public affairs.¹⁸ In his more recent work, he attends specifically to the matter of values and goals. His model of the social process postulates actors attempting to maximize their values, which for convenience, Lasswell categorizes as being eight -- power, enlightenment, wealth, well-being, skill, affection, respect, and rectitude. Each interaction between participants results in a net loss or gain, or in Lasswell's language, deprivation or indulgence.¹⁹ Values can be invested, shared, and consumed, and most important for the policy scientist, shaped. As can be easily seen, each value has an institutional habitat in which it is most at home.

Although Lasswell does not explain his choice of categories, it would seem that one criteria was a facility for quantification, perhaps in the form of social indicators.

Lasswell defines the policy scientist as problem-oriented, and finds the first stage in the resolution of a problem is clarification and adoption of goals. In contrast to many writers, he realizes that the policy scientist is inevitably personally committed in the process of grappling with goals. "If the policy scientist is to play his clarifying role in collective or private circumstances, we assert that

18. Harold Lasswell, Psychopathology & Politics (Chicago: University of Chicago Press, 1931); Power and Personality (New York: Norton, 1948); "Clarifying Value Judgements: Principles of Content and Procedure," Inquiry 1 (1958) 87-98.
19. Harold Lasswell, A Pre-View of Policy Sciences (New York: Elsevier, 1971), pp. 18-20.

he must fully understand his own position....we interpret problem orientation as requiring him to clarify his goal preferences, since he is bound in some measure to affect value realizations....what priorities do I prefer in the shaping and sharing of values in the social process? What levels of value accumulation and what patterns of sharing do I prefer?"²⁰ Lasswell's language suggests that he understands a person's choice of goals to be unusually explicit, conscious, and forward oriented.²¹

He also realizes that the person's current position in the distribution of values is likely to influence both his personal goals and what might be thought desirable public policy.

Terminology is further confused by his introduction of the term "base values" which are the 'assets' of whatever sort the actor has available for enlistment in the attempt to obtain his preferred outcome.

Lasswell then is not locked into a restrictive notion of values, but his approach is weakened by his not displaying any theoretical or empirical base for his value categories. This makes any attempt to operationalize his approach hazardous and reduced to using idiosyncratic interpretations of his categories.

Yehezkel Dror is the leading exponent of increased attention to values in policy studies. Dror's general approach to values is quite

20. Ibid., pp. 40-41.

21. Easton has sound reservations about our ability to make our values fully explicit. Cf. Easton, Political System, Chapter 9.

clear. Every society has a "general reservoir of values" which change and vary in the degree to which they are explicit, distributed, intensely held, and backed by power".²²

Dror's more recent work is concerned with the elaboration of a model for policy sciences. This work contains a more extended treatment of values. He establishes the need for policy sciences in his critique of management sciences which he claims "are unable to deal with basic value issues and often inadequately explicate the value assumptions of analysis."²³ In a case study he shows that both the behavioural sciences and management sciences are either "useless" or "dangerous" in the area of values.²⁴ Dror urges a comprehensive approach to values by the policy sciences. In his view policy sciences

tries to contribute to value choice by exploring value implications, value consistencies, value costs, and the behavioural foundation of value commitments...the invention of different alternative future, including their value contents...should build up an operational theory of values (including value morphology, taxonomy, measurement, etc., but not the substance of absolute norms themselves) as a part of policy sciences.²⁵

Dror goes on to say that there is a

need for intensive research -- by appropriate methods, which are different from those of the behavioural sciences -- on values which serve as goals for policy making. Part of this research can be behavioural, aiming to find out what different

- 22. Yehezkel Dror, Public Policy making Re-examined (San Francisco: Chandler Publishing Co., 1968), p. 164.
- 23. Yehezkel Dror, Design for Policy Sciences (New York: American Elsevier Publishing Co., 1971), p. 14.
- 24. Ibid., ch. 4.
- 25. Ibid., p. 52.

publics want on different levels of awareness and what, in different cultures, the main components are of 'quality of life'. However, parts of the value research ... will utilize methods leaning more on philosophy and law than on behavioural sciences. These methods include value morphology, value taxonomies, examination of internal value consistency, examination of behavioural value compatibility and investigation of value competitiveness. Studies in psychology, welfare economics, and welfare theory on issues such as aggregation of values and units for value management, value consideration, and value comparison also belong to this subject.²⁶

Dror's discussion of values occurs throughout his prescriptive work on policy sciences. At no point does he seem to have consolidated his approach to values in policy. However if we examine the comments on values which occur throughout Dror's work, there would seem to be three key elements for any adequate operational theory of values in policy making.

FIGURE 5 A Framework for Value Knowledge in Policy Making, After Dror

<u>Formal</u>	<u>Relational</u>	<u>Processing</u>
Morphology	Costs	Explicitation
Taxonomy	Consistencies	Invention
Measurement	Compatibility	Debate
	Competitiveness	Decision
	Comparison	Management
	Behaviour	

This paper is concerned specifically with the relational and the processing of values. It is concerned with identifying the values at

26. Ibid., pp. 97-98.

which policies are directed and the values which dominate key administrative policy makers within a given sector of housing policy.

Dror has also put forward an optimal model of public policy making.²⁷ The first phase of this model is called "Processing Values." The purpose of this phase is to identify and, to the extent possible, rank the various values which are in competition for priority access to public authoritative allocation. Dror says "for optimal policymaking, value judgements should.....be made explicitly, and made only after the relevant data on the consistency and social consequences of the values, and on the feasibility of achieving them, have been carefully considered."²⁸

Dror acknowledges that values are sensitive elements in the policy making context. This is due to three characteristics: first, since values include extra or irrational components of man, discussion cannot be kept to an entirely rational level and there is danger of opening a Pandora's box; second, there is serious concern that the involvement of policy sciences and policy makers in values could lead to dangerous value manipulation; third, it is widely recognized that political concensus or coalition is often maintained by remaining silent or unexplicit about certain values. Dror however urges that more attention be paid to the explicitation of values, and encourages this by providing expressly for increasingly specific

27. Dror, Public Policy making, part 4.

28. Ibid., p. 165.

attention to values as you move through the optimal model toward a concrete policy outlook.

In summary then, policy investigators are increasingly urging that more attention be made to values which are at work in policy making. The categorization of values, the roles attributed to them, and the areas which most urgently require examination have not been specified. At this point there has only been the exhortation to deal with values more explicitly and various suggestions of possible approaches.

3. In order to establish some substantive notion of values we must turn to the work of social scientists. Clyde Kluckhohn is largely responsible for developing a coherent and profound understanding of values which has influenced a succeeding generation of social scientists. Kluckhohn defined value as "a conception, explicit or implicit, distinctive of an individual or characteristic of a group, of the desirable which influences the selection from available modes, means, and ends of action".²⁹

This view that values contain cognitive, affective, and selective or directional components, is both important and influential.³⁰ It provides the basis for the junction in values of intelligence, emotion, and will. These in turn establish the basic leverage points for value change.

- 29. Clyde Kluckhohn, "Values & Value Orientations in the Theory of Action," Toward a General Theory of Action, T. Parsons and E. Shils, eds. (New York: Harper Torchbook, 1951), p. 395.
- 30. See Ethel Albert and Robin Williams, "Values, International Encyclopedia of the Social Sciences, 17 (1968), pp. 283-291; Rokeach, Beliefs.

As an anthropologist, Kluckhohn was dealing in cross cultural comparisons of values. These were at an extremely high level. In his most well known attempt to construct a theory based upon empirical research, Kluckhohn dealt with three sets of values involving man-nature, man-man, and time. Through his sophisticated manipulation of these variables he was able to develop a highly sensitive indicator of the differences between various cultures.³¹

Other investigators have found that Kluckhohn's values were at too high a level of abstraction to be useful in dealing with more particular environmental variables which were bounded by one culture.³²

Rokeach has taken up the same basic understanding of values from Kluckhohn. He has been much more successful however in developing a economical technique of measuring the basic value orientation of individuals. On the basis of factor analysis of extended testing of individuals, Rokeach has sifted out 18 terminal and 18 instrumental values. They are shown in the table below.³³

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- 31. See Clyde Kluckhohn, "The Study of Values," Values in America, Donald Barrett, ed. (Notre Dame: University of Notre Dame Press, 1961); Clyde Kluckhohn, "The Scientific Study of Values and Contemporary Civilization," Proceedings of the American Philosophical Society, 102 (1958).
 - 32. Michelson, Urban Environment, p. 142, Note 22.
 - 33. Rokeach, "The Measurement of Values and Value Systems," p. 25.

Terminal Value

A comfortable life
 (a prosperous life)

An exciting life
 (a stimulating, active life)

A sense of accomplishment
 (lasting contribution)

A world at peace
 (free of war and conflict)

A world of beauty
 (beauty of nature and the arts)

Equality (brotherhood,
 equal opportunity for all)

Family security
 (taking care of loved ones)

Freedom
 (independence , free choice)

Happiness
 (contentedness)

Inner harmony
 (freedom from inner conflict)

Mature love (sexual
 and spiritual intimacy)

National security
 (protection from attack)

Pleasure
 (an enjoyable, leisurely life)

Salvation
 (saved, eternal life)

Self-respect
 (self-esteem)

Social recognition
 (respect, admiration)

True friendship
 (close companionship)

Wisdom (a mature
 understanding of life)

Instrumental Value

Ambitious
 (hard-working, aspiring)

Broadminded
 (open-minded)

Capable
 (competent, effective)

Cheerful
 (lighthearted, joyful)

Clean
 (neat, tidy)

Courageous
 (standing up for your beliefs)

Forgiving
 (willing to pardon others)

Helpful (working for
 the welfare of others)

Honest
 (sincere, truthful)

Imaginative
 (daring, creative)

Independent
 (self-reliant, self-sufficient)

Intellectual
 (intelligent, reflective)

Logical
 (consistent, rational)

Loving
 (affectionate, tender)

Obedient
 (dutiful, respectful)

Polite
 (courteous, well-mannered)

Responsible
 (dependable, reliable)

Self-controlled
 (restrained, self-disciplined)

Rokeach asks persons to rank each list of eighteen values. He has found that individual profiles are highly reliable as checked by re-test and that there are distinctive profiles for employment groups and political orientations.

One of the most significant of Rokeach's findings is that the general

political orientation of an individual or of a group is shown by the relative ranking of freedom and equality. Rokeach has found that many respondents will rank freedom high but equality considerably lower. He interprets this to mean that the individual is concerned more about freedom for himself than about freedom for others. The degree of distance between the two items is a good indicator of the person's political persuasion. A slight distance and high ranking of both is generally characteristic of those adhering to a socialist perspective, while a substantial spread with freedom receiving priority is highly indicative of those with a conservative political persuasion. Rokeach has tested these against both the reported voting behaviour of individuals and against content analysis of the writing of major exponents of different political positions.

It was not possible to administer this simple test to senior housing policy makers in the Canadian government. In consequence, I have adopted a more inductive approach, working from the values implicit in decisions.

I have begun from the position that individuals have a reasonably consistent value orientation. This orientation is necessarily at work when they act as policy makers. The values of senior policy makers can not be exhaustively defined by their role in the bureaucracy; they have a value orientation which transcends the undoubted presence of common bureaucratic values. What is really at issue is the nature of this more transcending value orientation. We are examining the proposition that this orientation is fundamentally one of adherence

to the dominant housing related values in the society. "Dominant values are those held by a majority group or by the most powerful elite."³⁴ Housing related values for our purposes are two-fold: The role of housing in the economy, and housing and the family. If policy makers adhere to the dominant value orientation, then administrative conflict will occur when policy questions arise which involve the advocacy of a different set of values. We shall examine and present evidence to indicate that when such a conflict does arise, minority values are likely to be, in Lasswell's term, deprived. The nature of the organization which processes values in relation to policy is also involved. The acceptance of minority values is likely to be enhanced if policy is processed by a policy unit rather than a line unit, such as the Loans Division in CMHC.

34. Clyde Kluckhohn, "Values and Value-Orientation," p. 415.

Chapter 4

THE BUILDING CO-OPERATIVE

1. In 1944, as World War II moved toward an end, the Federal Government's Advisory Committee on Reconstruction tabled Part 4 of their report, Housing and Community Planning. This report, often called the Curtis Report, after C. A. Curtis, the sub-committee chairman, gives a prominent place to co-operative housing in the task of catching up with the backlog of housing needs which had accumulated with the combined effect of the depression and the war.

"It is important that proper attention be given to the role of co-operative associations within the housing field, and that their nature should be understood. Co-operative organization may be utilized for building or for ownership or for both; in some circumstances it may be applied to tenant housing; it is an excellent medium through which a combination of government assistance and group self-help may be secured"....

"It is recommended generally that in the redrafting of the National Housing Act there should be special sections permitting the extension of financial-assistance arrangements to co-operative organizations..."¹

When the National Housing Act was redrafted in 1944, a specific section was added to provide for loans for co-operative housing. As with all subsequent sections of the Act treating co-operative housing, this one provided for loans both to co-operatives which would be wound up with the completion of construction with the houses transferred to individual members, and to ongoing co-operatives which would continue at least until the mortgage had been repaid and discharged. The

1. (Ottawa: King's Printer, 1946), p. 270-271.

significance of this distinction will become apparent shortly. It is worth keeping in mind that Central Mortgage and Housing Corporation was not created until 1946 and thus the Corporation had nothing to do with the legislative amendments which introduced provisions for co-operative housing.

This new act does not mark the beginning of co-operative housing in Canada, or even the first time the Federal Government provided mortgage financing to co-operatives. H. Woodard, Assistant Secretary of CMHC for its first ten years, ~~referred~~ that "occasional co-operative housing projects had been financed as ordinary rental projects" prior to the co-operative provisions of the NHA 1944.²

2. The notion of co-operative housing did not spring full-blown from the brow of the Advisory Committee on Reconstruction. Their insight into the potential of co-operative housing had come from projects which had been underway in Nova Scotia for a half dozen years. The first of these projects, called Tompkinsville after the Rev. Dr. J. J. Tompkins who had inspired it, is now almost legendary. The accounts of the project make it possible to discern the values which dominated its creation. Co-operative housing in Nova Scotia began through the work of the Extension Department of St. Francis Xavier University. During the 1930's, this university fielded an adventuresome adult education program built around the notions of self-help through mutual assistance.

2. H. Woodard, Canadian Mortgages (Don Mills: Collins, 1959), p. 15.

Education here was very practical. Dr. M.M. Coady explained that "our economic ventures were our beginnings and not our objective. In the resulting co-operative institutions, some of the people had their first taste of the ownership which was a necessary prelude to the enjoyment of the complete life that we were urging them might be theirs."³

Unlike community organizing efforts of today, those of the Extension Department were extremely apolitical. They focussed instead on motivating the people to do things for themselves. It was for this reason that co-operatives were seized upon as a vehicle. Thus, when attention turned to the tremendous need for housing, it was not surprising that a self-help co-operative was the response.

For mortgage financing, the co-operative turned to the Nova Scotia Housing Commission which had been established some years before and whose act made provision for limited dividend loans.⁴ Since little use had been made of the act by limited dividend companies, the co-operative group pressed for an amendment to the act so that loans would be available to building co-operatives. The act was amended in 1937 to enable building co-operatives to be eligible. The act still required a 25% equity but the mortgage interest rate at 3-1/2% was substantially lower than the 5% loans available under the Dominion Housing Act.⁵

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3. Introduction, p. 2, in Mary Arnold, The Story of Tomkinsville (Chicago: CLUSA, 1940). Cf. Dr. A.F. Laidlaw, "The Antigonish Movement in Retrospect," (An Address to the Royal Canadian Institute, December 9, 1967).
 4. The Nova Scotia Housing Commission Act, 1932.
 5. Nova Scotia Housing Commission, "An Explanation of the Nova Scotia Government Loans to Encourage The Building of Low Cost Dwellings."

Because the below market interest rate mortgage was being received under a modified limited dividend act, the project had to remain in the ownership of the co-operative corporation, at least until the mortgage was paid off. This is the origin of the continuing co-operative. It was never meant to continue into perpetuity, but only until the mortgage had been discharged.

The high value placed on single family home ownership, and the consequent view that the co-operative corporation should be of limited duration, is very plain even in the first building co-operative project. Coady's statement cited above already introduced the importance of ownership. Arnold reports on the initial reaction of even temporary ownership by the co-operative

One of the first subjects to be studied had been by-laws and organization. That ownership should be vested in the group was clear enough in a credit union or store but when it came to ten houses, that was another matter.

"Do you mean," said the scoffers in the wash-house, "that a man does not own his own house? Gosh, that's a crazy idea. You can't make that work." (p. 15)

The group argued it through until they could see that the benefits to be gained would justify this form of organization.

In Tompkinsville, the mortgage was for a twenty-five year term but they were able to discharge it five years before its due date because of the surplus which had built up in the reserve fund to which members contributed as part of their monthly payment. Tompkinsville was not unique in this; at least six other groups begun in the subsequent few years also dissolved their co-operatives and obtained single family

ownership of the houses when the mortgages matured.⁶

In 1953, the Nova Scotia Housing Commission entered into an agreement with Central Mortgage and Housing Corporation for federal-provincial mortgage loans to be made available for co-operative projects. Access to greater financial resources enabled the Nova Scotia Housing Commission to provide increased funds for co-operative housing.⁷ The Extension Department continued its active involvement with the program. It was responsible largely for the motivation of families, the formation of potential co-operative groups, and assisting the six month to one year education program which was required in order to receive a loan. In 1970, the federal-provincial agreement was extended to provide for federal contributions to the Commission for 75% of its administrative costs incurred in connection with the program provided that they did not exceed 2% of the cost of any individual project. This enabled the Commission to vastly expand its rate of co-operative housing production. About half of the 4,000 units which have been produced by the program have been started in the past three years.

With this expanded financial assistance, the Commission ceased to involve the extension department in the carrying out of the program. This has had a decided effect upon the program dynamics. The effect has been three-fold; first, because there is no longer any grass-roots organization being undertaken, the program currently attracts families

6. J. F. Midmore, Report on Co-operative Housing, (Ottawa: C.U.C., 1962), p. 54.

7. The Nova Scotia Housing Commission 1932-1965, (Halifax: NSMC, 1965). See also subsequent annual reports. Cf. Canadian Housing Statistics 1972 (Ottawa: CMHC) Table 51.

with higher incomes and more education. Whereas the program formerly served the second lowest quintile of income, it now serves the second highest quintile. This marks a dramatic change in the program.

Secondly the program now contains much less social content; there is less education and less mutual help than formerly. Mutual help seems to have decreased for three major reasons: firstly, the scarcity of land has meant that a co-operative frequently builds on several sites; second, the increase in incomes and varied sites has meant an increase in the variety of units which makes an equitable matching of labour contributions more difficult; and third, the increased incomes of the program clients enables increased sub-contracting of labour.

The third trend is even more revealing for our purposes. For some years, members of the co-operatives had chafed at the requirement that the co-operative form be maintained until the mortgage was discharged. They have argued that this was highly artificial and that they should not be liable as a group for the delinquency of a member once the units had been occupied. They claim that the basic benefit of the program is support during the planning and construction stages, after which the co-operative serves no useful purpose for its members. The co-operative's treasurer frequently finds himself in the position of bill collector. CMHC and the Housing Commission have strongly resisted attempts to dissolve the co-operative prematurely with the members obtaining their homes with the same mortgage terms as they held under the aegis of a co-operative. This would amount to subsidized home ownership.⁸

8. For further documentation and discussion, see J. Jordan, Co-operative Housing: Program Review and Proposal, (Ottawa: CMHC, 1971) pp. 37-42.

Recently a compromise solution has been reached under which the group mortgage will be broken down into individual mortgages which will still be held in the name of the co-operative. This allows the co-operative to be maintained but enables the Housing Commission to foreclose on an individual unit rather than on the co-operative.⁹ The development of this compromise solution indicates the pressure for single family home ownership within the program.

In subsequent years, federal-provincial agreements were also reached with the provinces of Prince Edward Island and New Brunswick. All of these projects have operated on a building co-operative basis with the ultimate objective being single family home ownership. Information about the one possible exception substantiates the generality. Midmore reports that the Beaubear Housing Co-operative in South Nelson, New Brunswick, "is believed to be the only 'continuing' co-operative group in Canada with no provision for future individual title."¹⁰

3. Co-operative housing in Quebec has followed a very different pattern. The first building co-operative was organized in 1941 in Asbestos. This project was inspired by the Tompkinsville project a few years before. Since that time, co-operative housing in Quebec has followed a path that resulted from the particular configuration of institutions in Quebec.

One of the unique features of co-operative housing in Quebec is the variety in the type of housing co-operatives. These have included land

9. A.F. Laidlaw, Co-operative Housing Commentary, No. 7, "Another Look at Building Co-operatives," (Ottawa: CMHC ,December 14, 1971), p.3.

10. Midmore, Report on Cooperative Housing, p. 57.

purchasing co-operatives which engage in no construction, sweat equity building co-operatives, co-operatives acting as a general contractor on behalf of their members, and producer co-operatives which merely act as a developer arranging for the purchase of the land and the construction of houses by independent contractors. These forms are not mutually exclusive and almost half of the projects served have utilized more than one form during the development of a particular project (C 79-82). The most productive co-operatives in Quebec have been the ones which have built up a small development organization. The two largest have been in Montreal and Quebec City.

Even with this variety, there are four general statements which can be made of co-operative housing in Quebec. First, it consisted primarily of building co-operatives; secondly, it was strongly encouraged by the Catholic church and para-ecclesiastical organizations; thirdly, mortgage financing was primarily through co-operative organizations; fourthly, especially in the earlier years, it was oriented toward lower income families.

No matter what development trajectory the project followed, in almost every instance the co-operative was dissolved upon completion of construction and the title was passed to the individual member. One study comments "the goal of the members everywhere was the same - i.e., to own their own home" (C 2). The general societal proclivity for single family home ownership was strengthened here, as in Nova Scotia, by the extensive involvement of the Catholic Church. This was particularly the case during the 1950's when co-operative housing flourished in Quebec and the Church was still extremely conservative. Co-operative housing in

Quebec was much more productive than co-operative housing in any other province. By 1968 it was known to have produced over 9,500 units in 151 projects. There were at least another 50 known projects but no estimate of the number of units is available. (C 3)

The individualistic values represented in the drive for home ownership here were also represented within the development organizations who actually operated on a precarious and ad hoc basis. Rutigliano concludes that the style of co-operative housing during this period was "spontaneisme artisanal" (R 59).¹¹

4. In Ontario, a few co-operative projects were developed following World War II but there was no program and little momentum before the Institute of Social Action of St. Patrick's College in Ottawa developed a handbook and educational program in 1952. The rate of projects increased from one or two a year to a rate of twelve to fifteen. A study carried out by the Ontario Government in 1958 was able to identify about 1,000 units which had been developed through building co-operatives.¹²

In Ontario, mortgage financing was almost always from CMHC. Midmore comments on NHA loans from 1954-1960, "all the homes built were for individual ownership and were detached single family dwellings."¹³ It is very clear that in Ontario, the building co-operative was simply a

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- 11. This section is based on: LeConseil de la Co-opération du Québec, Housing Co-operatives in Quebec (Montreal: CCQ, 1968). Page references to this work are in parentheses with the number prefaced by the letter C; and Cesar Rutigliano, Les Co-opératives d'Habitation au Québec, (Montreal: I.N.R.S., 1971). Page references to this work are in parentheses with the number prefaced by the letter R.
 - 12. W.W. Scott, The Future of Co-operative Housing in Ontario, (Province of Ontario, Department of Planning and Development, June 1958)
 - 13. Midmore, Report on Cooperative Housing, p. 52.

convenient vehicle for obtaining single family home ownership. Because there was no special financing provided, the form of the co-operative could be dispensed with upon completion of the dwelling units.

The increase in level of activity led to a number of service organizations being formed for this emergent co-operative sector. They included a Co-operative Building Society to provide management services and a Co-operative Home Builders Federation. Neither succeeded, in part because of direct competition and in part because of inadequate program design. But perhaps the major reason lay in the fact that few members of building co-operatives saw themselves as anything other than individual home owners. "It was found that when their homes were completed, members lost interest and withdrew their support. The Federation was unable to extend its educational program to others".¹⁴

Even though the building co-operative in Ontario did not become an ongoing source of housing units, its experience was extremely important. Ontario was the province in which building co-operatives received their mortgage financing from CMHC without the mediation of a provincial housing organization. This direct contact between building co-operatives and CMHC led to the development of co-operative housing policy within CMHC. This policy was developed on the basis of the building co-operative. We shall be looking at the difficulties which were encountered when the concept of co-operative housing shifted and CMHC policy did not.

5. It took almost ten years for CMHC to develop a full-blown policy on

14. Ibid., 60.

co-operative housing.

The first policy issue to be presented to the Corporation concerned the eligibility of co-operatives for limited dividend loans. The National Housing Act provided for loans to builders at reduced interest rates on the condition that the builder would limit his profits. Co-operatives quickly sought access to this financing. A memorandum prepared for the Minister on June 21, 1946, points out that co-operatives are not eligible for 3% loans as limited dividend corporations under NHA Section 9 because they have not been able to meet the basic conditions of Section 9: "The principle difficulty has been that the proposed projects are not real rental housing projects, but are in fact designed to be home ownership projects". The projects in question were evidently small building co-operatives with the equity to be put up by the individual occupants and where it was quite clear that the units would revert to individual ownership. Two years later, in 1948, D.B. Mansur, President of CMHC, wrote to the parliamentary assistant of the minister responsible for the Corporation. He was responding to a brief submitted by the Co-operative Union of Canada and requesting that co-operatives be eligible for limited dividend financing. Mansur pointed out that "Most of these co-operative schemes which we have seen made representations to prospective members that apart from form, they would have all the benefits of home ownership". Mansur argued persistently in successive years that if limited dividend loans were made to co-operatives it would be hard to reconcile with the Corporation's principle of not providing loans at limited dividend rates to individual home owners.¹⁵ Mansur suggested that changing the

15. D.B. Mansur to the Hon. R.H. Winters, April 6, 1949; April 12, 1949; September 11, 1950.

mortgage interest rates for home ownership would have a serious effect on the entire interest rate structure of the economy.

Even in the case of a building co-operative of the Nova Scotian type, that is where the co-operative form was maintained until the amortization of the mortgage, the Corporation still adopted the position that, in the words of its president, "For all practical purposes the co-operator is in a home ownership position." During a time when the fundamental logic of co-operative housing was toward single family home ownership, this position of the Corporation hardly seems unreasonable. Co-operatives seem to have gotten the point because for a period of years there was no further representation to CMHC on this matter. A head office memorandum in response to a brief from the Co-operative Union of Canada in 1955 begins by noting, "One of the interesting aspects is the total lack of reference to obtaining co-operative loans under Section 16 of the Act, the Limited Dividend Company Section. It would seem that they have discarded this approach, the rather futile repetition of which tended to spoil some of their past presentations."

The request by co-operatives for access to limited dividend financing, especially when the co-operative was in the continuing form, established in the Corporation an identification between home ownership and the continuing co-operative. Ownership did not accurately describe the form of tenure but it did describe the ultimate intention of most co-operative participants at this point in time. The strong identification of co-operative housing with home ownership would become a major source of conflict with the emergence of the new form of

continuing co-operatives in the 1960's.

During the 1950's CMHC went further to discourage the possibility of the continuing co-operative, even if it was to be of limited duration. The comments on this give some indication as to the values which motivated the head office personnel. A June 1954 memorandum on loans policy for co-operative housing states that "Thus far there is no pronounced preference by Canadian co-operative housing associations for the continuing type but it has developed to a remarkable degree in certain other countries. The single unit ownership plan following completion of the construction of the project seems to follow the well-developed Canadian pattern that 'a man's home is his castle' and he is responsible only for his own acts, particularly so far as his housing mortgage is concerned." A memorandum the following year is much more explicit on the value perspective:

"The brief mentions that the present policy precludes the possibility of building co-operatives of the 'continuing' type. Personally I doubt whether this type of project will ever appeal to the average Canadian as there are too many difficulties attendant to the ownership of say, 'a one/twenty share in twenty multiple units'.

There would seem to be absolutely no advantage in single houses being continued on a collective ownership basis. One of the difficulties of encouraging multiple-family-continuing-co-operatives is that they tend to be tenanted by ethnic groups (e.g. the Estonian[sic] Project in Toronto) or by persons employed by the same employer. Racial segregation seems undesirable from a national viewpoint, as it would seem preferable for immigrants of one national origin to be absorbed in the community generally, rather than to be housed collectively, thus delaying the absorption process. Equally so, there are objections from an employers standpoint in having employees centrally housed."

Quite aside from the commentary on the appropriate housing for immigrants or employees, it is clear that the writer shared a strong appreciation of the virtues of home ownership. The Corporation continued this policy as the president wrote to the minister on December 2, 1957 "By policy, the Corporation does not make direct loans to continuing co-operatives." The Corporation then was willing to provide mortgage financing assistance to building co-operatives.

But even in the instance of building co-operatives, the Corporation made clear in a variety of ways that the co-operative method of development would never be allowed any benefits that were not available to home owners or builders. If a situation were to occur where a particular policy, to be consistent, would have a side effect of working against one approach or the other, it was made clear it would work against co-operatives. This became evident in a decision as to whether or not loans would be made to co-operatives in municipalities with a population of 55,000 or more. CMHC policy was not to make unilateral loans to home owners in large municipalities because the Corporation had an agreement with large lending institutions that joint loans would be made in large cities. The home owner would not find this a disadvantage because he would be generally able to obtain a mortgage loan on a joint basis. Co-operatives faced a problem however. As the president reported to the minister on May 28, 1953, "The lending institutions are very frank that they will not make a loan to a co-operative in

either form." One of the functions of the Corporation under the NHA was to act as a lender of last resort. CMHC felt compelled to maintain their general policy however which meant that co-operatives could not obtain loans from approved lenders nor from CMHC in large municipalities. The president continued, "We appreciate the undesirability of this condition but we feel even more undesirable would be the anomaly that individuals unable to secure direct loans in the larger communities could do so if they maintained the co-operative principle of tenancy. In other words, we would put the continuing co-operative in a preferred position as against individual home owners unable to secure financing under the National Housing Act." The result of this policy was that co-operatives were "forced into the rural areas".¹⁶ The writer recommended that the Corporation in fact should make loans to co-operatives in large cities "if encouragement is to be given to co-operatives". The decision was not to make loans to co-operatives in large areas and as the policy memorandum of June 1954 continued "It is not a function of the Corporation to encourage or discourage either type of co-operative housing venture". This is the notion of the neutral bureaucracy. It is one which will reoccur in the CMHC policy toward co-operatives.

It is clear that the Corporation had difficulty in insuring that its staff maintained a posture of at least bureaucratic neutrality

16. P. Secord, -VP to Executive Committee, May 21, 1954.

toward the building co-operative. In April 1950, head office wrote to the Prairie Regional Office, "One of our administrative problems is to get people in the Corporation to take a real and whole-hearted interest in co-operatives." At this point it would seem that the issue was one of lack of interest rather than actual antipathy. By July 1954 situations had occurred which called for the following memorandum from head office to regional supervisors:

The fact that there is statutory recognition of Co-operatives in the N.H.A. carries the direct implication that there be no administrative prejudices displayed against Co-operative Associations seeking to solve their housing needs. Nevertheless, some things have occurred which are at least symptoms of such prejudice and, unless checked and corrected, can lead to some well merited criticism. Things have been done or left undone by certain Co-operatives which have given rise to some fully warranted administrative criticism or objection but not to a point where there can be any deep-rooted prejudice. The main responsibility rests with Head Office and the Regional Offices to promote an attitude on the part of the Branch Office and field representatives which is not based on prejudice, either in favour or against loans to Co-operatives, but squarely on their responsibility to deal with Co-operatives in accordance with the intent of the Act and the administrative policy of the Corporation. The symptoms referred to above are not believed to be widespread by any means, but a few C.M.H.C. people have helped to create an atmosphere of mutual hostility.

...The following comments are intended to be helpful to the Regional officials in bringing about a better understanding and appreciation where there are reasons to suspect that the general attitude of the Branch or field officials is more or less hostile, aloof or careless in the matter of loans to Co-operative Housing Associations.

...This is not to suggest that there be any mollycoddling, but there is a need at all times to combine dignity, courtesy, patience, and firmness in a degree at least equal to the requirements of healthy public relations with any other group or individuals with whom C.M.H.C. transacts business.

Anyone who has observed a group of citizens denied to themselves and their families practically all opportunities for recreation for a period of a year or more in order to contribute their hard labour in addition to the usual pursuits, in acquiring homes, may conclude that the group concerned must enjoy doing things the hard way, but no one is entitled to discount the quality of citizenship which impels people to help themselves. There is no doubt about it being the hard way, but there is some responsibility on CMHC to do what it can within reason to avoid making the hard way even harder."

There is no indication that this "prejudice" was directed more at continuing than building co-operatives. In fact, given the lack of further information, and on the basis of organizational dynamics which can be observed in other places, it seems that this prejudice should be laid more to the activity of untrained lay groups in development than to the specific co-operative content. Studies in the United States, for example, have shown that there has been a persistent prejudice on the part of housing officials toward self-help groups whether or not organized in co-operative form.¹⁷

In addition to this problem, there was also one of policy consistency. In April 1953, two Head Office divisions exchanged memoranda which revealed that there was a definite lack of clarity with respect to the Corporation's policy toward housing co-operatives. "Your memorandum does highlight the difference of opinions that exists as to our present policy. I am answering field inquiries as to co-operatives in an entirely different vein from that used by your Division in answering similar direct inquiries. In fact we are quoting contradictory policies." This discovery gradually led to an attempt to issue a basic policy toward

17. Cf. J.F.C. Turner & R. Fichter, Freedom to Build (New York: Macmillan, 1972); R.J. Margolis, Self-Help Housing in Urban Areas (Washington: I. S-H.H.A., 1968) esp. III.

housing co-operatives. In May 1954 basic ground rules were produced and discussed at a meeting of regional supervisors. This led to the production in June 1954 of a basic statement on "loans to co-operative housing associations." In March 1955 a more comprehensive general memorandum was issued detailing the entire procedure for processing a loan to a co-operative housing association.

Just at the time that this memorandum was being circulated, the Corporation was becoming increasingly aware of short comings in its loan program toward co-operative housing. In significant measure these stemmed from the fairly anarchic nature of co-operatives. The program requirements contained in the policy memoranda previously referred to were largely formal and procedural. The Corporation was now becoming aware of the need for a more empirically based policy. One of the most salient issues was the frequent difference of opinion between a co-operative loan applicant and the Corporation as to the appropriate loan amount. The Corporation found an almost universal pattern of co-operatives over-estimating the amount which would be saved due to member contributions of labour. This occurred both because co-operative members were often naive about the amount of labour they would be able to contribute and because many of them would require that the loan amount be low if they were to qualify for an NHA loan. The Corporation was finding that many of these co-operatives were forced to come back to request a loan increase.

The Corporation's response to this situation was a thorough and wide ranging analysis of building co-operatives with particular attention to the financial aspects. Budgets and completion statements were analyzed, the opinions of Corporation field staff were solicited, and a Head Office staff member, who had personal experience with the building co-operative, was assigned to visit a great many Ontario building co-operatives to examine their operations and obtain the co-operators perspectives on actual and possible problems. This gradually led to draft policy statements which were then circulated for comment. It was only after this extensive process that firm policy memoranda were issued. It had a strong empirical base because it was the result of such substantial consultation. This policy memoranda remained in effect throughout the 1960's.¹⁸

This more rational approach to policy development was the consequence of the changes in the Corporation brought about by Stewart Bates who became President of CMHC in December 1954. Bates invigoured the Corporation to be more empirical and more adventuresome in its orientation. He encouraged research and policy development.¹⁹ In the instance of co-operatives, this meant policy that was less subject to the personal proclivities of Head Office personnel. Unfortunately the change came just as the housing co-operatives were beginning their decline.

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18. Cf. Secretary-General's Memorandum re Co-operative Insured Loans. (March 16, 1955; General Instructions 322-1--322-4, 1958).
 19. CMHC [Humphrey Carver] Housing in Canada 1946-1970, A Supplement to the 25th Annual Report of CMHC. pp. 18-19.

In summary then it appears that the housing values of CMHC and co-operators were largely congruent. Both were strongly in favour of single family home ownership. One of the Co-operative handbooks responds to its rhetorical question "Why co-operative housing?" as follows "The family ought to own the house in which it lives." CMHC's discouragement of the continuing co-operative but support for the building co-operative has been seen. In many ways this position was summed up precisely by the Premier of Ontario, the Hon. John Robarts as he unveiled his twelve point housing program on February 23, 1962, his eighth point is "We intend to do what we can to encourage housing co-operatives producing single family housing units for ultimate individual ownership".²⁰

The building co-operative was in full conformity with the market transfer of housing units. There was no conflict with CMHC on this point. The only difficulties which the co-operatives seem to have had with CMHC are traceable more to the general attitude of professionals for laymen than they are to any set of political economic values.

20. Ontario Legislative Assembly Debates, p. 579 ff.

Chapter 5

THE CONTINUING HOUSING CO-OPERATIVE

1. The decade of the 'sixties produced a dramatic change in co-operative housing. The causes lay both within and without the co-operative institutional network. The result of the change was the emergence of a new form of tenure in Canada, one which showed promise of being a particularly appropriate response to an urban, mobile society. This change challenged CMHC, for this new form of housing co-operative did not fit the existing loans policy. Throughout the decade, the Corporation struggled with this new housing form, and in the process displayed the value constellation which dominated the senior administrative policy makers.

By 1960, it was abundantly clear that the building co-operative was on the wane. There was only a trickle of projects in Ontario, Quebec had peaked in 1948, and even Nova Scotia declined sharply from its high in 1959.¹ The fundamental reasons for this decline are not entirely clear, but in Ontario and Quebec, the lack of support institutions was widely identified, both by co-operative proponents and CMHC, as a salient problem.

Central organizations had been attempted in Ontario and had failed to survive. In Quebec, they led a precarious existence. In

1. Scott, The Future of Co-operative Housing; Midmore, Report on Co-operative Housing; Nova Scotia Housing Commission 1932-1955; C.C.Q., Housing Co-operatives in Quebec; Canadian Housing Statistics 1969, Table 44.

the Prairies and Atlantic provinces, (with the exception of Nova Scotia), where a few projects were developed, there were no support institutions.

Support institutions were necessary to supply the building expertise that a lay group might otherwise lack. Their functions in Ontario and Quebec included promotion and information, site analysis, incorporation assistance, instruction in housing construction, mortgage negotiations, construction supervision and bookkeeping and accounting. A building co-operative which did not contain these specific competencies within itself, and which did not make other arrangements for them, was likely to incur cost over-runs and other serious management problems. CMHC's 1955 review of building co-operatives in Ontario showed this clearly.

Given the lack of financial assistance from any outside source, existing support institutions had to depend largely on project fees. This was highly unreliable as a source of income because the individualistic patterns of building co-operatives generally encouraged them to save money by eliminating such 'extraneous' charges. Similarly, there was little or no interest in contributing to the on-going support, so that assistance could be rendered to new groups.

The tension between self-help and mutual aid had developed into a contradiction. Once someone had satisfied his own housing need, his interest in mutual aid evaporated. The survival of the program demanded more co-operative content than the program contained. This internal contradiction led to its demise. The only exception occurred

where the state (Nova Scotia) assumed program responsibility, but in this instance the co-operative content declined further in inverse proportion to the participation of the state.

The lack of co-operative content must be related to the values of the dominant sponsoring institutions. In Quebec, Nova Scotia, and Ontario ~~this~~ was the Catholic Church. Its interest in co-operative housing was based on the conservative social theology which held sway at this time. A major tenet was the importance of home ownership to undergird the family.² Private property was one of the distinguishing signs of societies not ruled by atheistic communism. Within the church there was no broad support for co-operatives. They were simply a useful vehicle to further home ownership. Rutigliano reports that co-operative educational programs did not exist, and that the Church's social doctrine became confused with co-operative principles.³

CHAM was the first of the "mother" or development co-operatives. It was a response to the need for an organization which could undertake co-operative development in an urban setting.

"The initial membership was composed of individuals not primarily concerned with housing for their own needs, and delegates from the major co-operatives and labour unions. The six organizations were: Federated Co-operatives Ltd., Manitoba Pool Elevators, United Grain Growers Ltd., Co-

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2. In Chicago, "some Catholic spokesmen had discouraged high-rise projects because these might tend to interfere with family life." M. Meyerson and E. Banfield, Politics, Planning and the Public Interest, (New York: Free Press, 1955) p. 50.
 3. Les Co-operatives d'Habitation au Québec, p. 59.

operative Life Insurance Company, Co-operative Fire & Casualty Company, Winnipeg & District Labour Council."⁴

This broad labour-co-operative support marked a substantial change from the building co-operative.

With financial support from Manitoba Pool and Federated Co-ops, CHAM set out to plan a substantial co-operative community. The architectural firm of Green, Blankstein, Russell & Associates was commissioned to prepare a detailed proposal. Their proposal envisaged 980 units of housing consisting of 530 3- and 4-bedroom town houses and 450 1- and 2-bedroom units contained in 3-storey maisonettes. Two projects for senior citizens were included.

CMHC was approached in September 1960, but Head Office could not fathom lending to a co-operative which was not composed of the residents, and stated that a loan could not be made.⁵

Three years later, CHAM was still promoting the project. CMHC still had difficulty with the notion of a development co-operative. "We were surprised to learn at the beginning of the meeting that the promotion of this project comes from the co-operative movement rather than from any group of potential tenants. At this moment of time, there is no prospective tenant member in the co-operative, nor is any-

4. Stan Glydon "Development and Operating History of Willow Park," September 11, 1969, p. 1. A list of members is given in B.
- Gregory, "Willow Park: A Study in Co-operative Housing Ownership" (Winnipeg: University of Winnipeg, mimeographed, 1971) p. 4. (cited hereafter as B. Gregory).
5. Head Office to Winnipeg Branch Office, October 1960.

one committed to become such a member."⁶ But CMHC was now prepared to at least seriously consider mortgage financing.⁷

In 1961, the Co-operative Union of Canada received a Part V grant from CMHC to study co-operative housing. The grant was facilitated by the National Secretary of the CUC who had been appointed to the Board of Directors of CMHC. The completed study was published in 1962.⁸

The content of the 90-page report is extremely general. It reviews the co-operative movement in Canada, the attitudes of Canadians towards their housing, functions of CMHC and the NHA, European and United States experience with housing co-operatives. A relatively small portion of the report is directed to a review of the co-operative housing program in Canada. The report stresses better urban design and lower housing costs through the use of co-operatives as a means of home ownership in multiple unit housing. The Midmore Report concludes with the following main recommendations:

1. A 3-tiered organization structure for co-operative housing. This structure includes a national co-operative housing federation composed of the co-op central housing societies. The function of the national organization would be primarily educational and promotional. The second tier in the structure is composed of central co-operative housing societies. Though the Midmore Report does not specify the geographical area of a society, it seems to envisage areas approximating those of the Canadian provinces.

6. General Counsel to Executive Director (A.D. Wilson), July 25, 1963.
7. This chapter and the following one draw in part on a series of case studies of all continuing co-operative projects. Cf. J. Jordan, Co-operative Housing: Program Preview and Proposal (Ottawa: CMHC, 1971) pp. 52-212.
8. J.F. Midmore, Report on Co-operative Housing, (Ottawa: CUC, 1962).

The central co-op housing societies would be the co-operative development groups. CHAM would seem to be a perfect example. They would be sponsored by co-ops, credit unions, and trade unions. The third tier in the structure would be the local co-operative housing association. This would be the product of the central co-op and would comprise an actual housing project.

2. A special section in the National Housing Act for co-operatives. This action would require co-operatives to operate under Corporation approved by-laws and to establish reserves regulated by the government. In return, co-ops would be granted loans at the same ratio as individual home owners. They would also have access to the below market interest rate. In addition, the 80% pre-selling requirement would be removed.

The Midmore Report was weak in analytic and strategic thought. CMHC disregarded it, as we shall see, but despite its limitations it marked and furthered the re-direction of co-operative interest in housing from building co-operatives to multiple unit continuing housing co-operatives. It provoked discussion and debate in co-operative circles.

2. The product of the Winnipeg experiment and co-operative discussion was a new form of housing tenure and organization. The housing co-operative was neither home ownership nor rental housing. It contained a different set of housing related values. There is still considerable variety among housing co-operatives, but a "constructed type"⁹ would exhibit the following characteristics:

9. Howard Becker's term designed to avoid the connotations of Weber's ideal type. Through Values to Social Interpretation, (N.Y.: Greenwood, 1968) chapter 5.

<u>Organizational or Tenure Characteristic</u>	<u>Associated Value</u>
1. Promotion and development on a non-profit basis by co-operatives, organized labour, churches, social planning councils, or other voluntary associations.	1. Housing development as a of non-profit human activity.
2. High-ratio MIR or BMIR mortgage loans; resident equity contribution limited to 5-10% of unit cost. Under 1973 NHA amendments, 100% mortgages -- no equity.	2. Stresses housing as a service not an investment.
3. Organizational and member commitment to "par value" principle. This means a departing resident receives back only his initial equity contribution (it may be in constant dollars). He receives no benefit from his share of principal repayment or increase in value of project.	3. This is the most significant value element. Removes housing from market with continual increases in asset value and thus housing cost.
4. Mixed income communities, centering on family incomes of \$6,000 - \$9,000, but with explicit provision for higher and lower incomes. Low income families accepted, including those requiring public housing subsidies. Internal subsidy also available. Higher income families pay surcharge.	4. Strong commitment to equality, and housing costs on ability to pay. Acceptance of public housing tenants rare in society.
5. Acceptance and encouragement of moderate density housing to facilitate better urban systems and social contact.	5. Repudiation of much single family home ownership mythology.
6. Some degree of overt member inter-dependence in finances, since each household's financial security in the	6. Inter-dependence, trust of oneself and others. Contrary to dominant societal individualism.

co-operative is a function of other households' paying monthly occupancy charges. Any deficit resulting from non-payment in basic operating costs would have to be made up by increased payments by the balance of the households.

7. Participation, at least at a formal corporate level, in a larger network of co-operative organizations through which the co-operative housing corporation, and its members, might bank, shop, insure, etc.
8. At least nominal adherence to a set of co-operative principles, the most common formulation being known as the Rochdale principles. These principles and the general philosophy of co-operatives stress economic democracy, consumer joint action, participative organizational styles, and in some countries, including Canada, political change toward democratic socialism through the electoral process.
7. Retention of mutual aid principle.
8. Social change toward greater equality.

CMHC had been presented with a new housing option. The NHA had not been drafted with this type of co-operative housing in mind. It is only to be expected that ill-fits between the policy and the client would occur. Some were simply technical lending matters. What was the loan ratio to be? On what basis should an appraisal be made? What is the relationship between CMHC and the residents?

These were all questions which CMHC faced in considering CHAM's

Willow Park project in the spring and summer of 1963. The General Instruction which had been carefully researched and drafted in function of the building co-operative was not satisfactory for a new form of housing.

Faced with this situation, CMHC had two basic options: a basic review of policy toward housing co-operatives (rationalist option) or an ad hoc project responsive approach (incrementalist option). There is no evidence that the Corporation even posed the question, but co-operative housing policy was worked out as projects developed.

There was a lull in project development after Willow Park got underway. But two projects began in 1968, and by 1971 CMHC had issued a dozen commitments. The policy decisions required of Head Office staff reveal much about Corporation values.

Chapter 6

THE RESPONSE TO THE HOUSING CO-OPERATIVE

The General Instruction required that all loans to co-operatives be referred to Head Office for approval. In the course of examining loan applications, numerous areas were found which required a policy response.

We shall present three which are particularly useful and appropriate for revealing values. These three are the interpretation of lending provisions under the Act, the question of BMIR loans for co-operatives, and the response to co-operative representations for policy change.

1. The dichotomy between ownership and rental is deeply embedded in our legal tradition and forms the basis of a great number of the elements of mortgage lending policy. In general, the NHA encourages ownership. When the continuing housing co-operative was presented to the Corporation, it faced the question as to which of the two forms of tenure fit.

The Corporation perceived that continuing co-operatives did create a different situation and that previous policy could not be simply carried over. When the question of applicable loan limits arose in connection with Willow Park in 1963, a Corporation opinion advised, "I must admit that the Act, as it is written, is not clear ...and superimposes on top of this confusion the fact that a member of a continuing co-operative is neither a home owner or a tenant.... The general intent of the Act seems to be to place an individual, who

as a member of a co-op collectively owns his housing, in the same position as a home owner".¹

The opinion also pointed out that Corporation policy confounded the form of housing (apartment, semi-detached, etc.) with the form of tenure, and the opinion was in serious measure dependent on this fact.

This opinion thus hardly settled the matter and the question of home ownership or rental arose in connection with a number of matters in the course of the Willow Park project. And it continued to rise in the course of subsequent projects. Almost three years after the opinion, Head Office, in response to a Windsor Office memorandum, reviewed the Willow Park project and referred to "individual owner tenants".... "whom we have treated basically as home owners". The co-operative, "in fact, does represent a form of home ownership, although expressed in leasehold form".²

As the language indicates, some conceptual gymnastics were necessary to keep co-operatives in the home ownership box. General Instruction No. 310 of June 24, 1968 advised that in co-operatives, "A form of ownership of the units by the members is achieved through individual long-term leases." And the Minister was advised that Corporation policy was to treat co-operatives as a form of home ownership.³

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1. A.D. Wilson, General Counsel to Prairie Regional Supervisor, October 1, 1963.
 2. A.D. Wilson, Executive Director to Manager, Windsor Office, June 14, 1966; see also H.W. Hignett, President to J.F. Midmore, March 15, 1968.
 3. H.W. Hignett, President (A.D. Wilson) to Hon. R. Andras, Sept. 24, 1969.

Although the Corporation strove to maintain that co-operatives mean home ownership position, there are many instances of where a rental policy prevailed. The Approved Lenders' Handbook, for example, advises lenders to process continuing co-operative applications as "rental loans".⁴

Numerous questions have arisen in connection with lending policy on particular loans. In the Abbotsford, B.C. project, for example, the matter of the inclusion of kitchen appliances in the loan arose. The head office response was negative since co-operatives were a form of ownership. If it were a rental loan, they would be admissible. They have, however, been allowed in most other continuing co-operative loans.

The Corporation's position results from the inter-section of three mutually reinforcing factors. First, the Corporation's memory of its 1950's experience with building co-operatives. During this period it was reasonable to regard co-operatives as a development form leading to home ownership. Second, was the frequent use by housing (continuing) co-operatives of the term and allure of home ownership in project advertising. The Corporation concluded that co-operatives "promote entirely the concept of ownership rather than tenancy."⁵ Third, was the long-standing Corporation position that co-operatives could not be allowed access to the limited dividend section of the Act; this position was bolstered if co-operatives could be consistently regarded as home

4. Amendment 49: Part A, Section 14. Issued May 13, 1970.

5. H.W. Hignett to Hon. R. Andras, September 24, 1969.

ownership since the limited dividend section provided for low rental housing.

A second area of lending policy concerned the income requirements for residents. Co-operatives had made plain that their objective was to create stable residential communities and for this reason they would not accept any regulations requiring a member to move out when his income increased to a given level. This 'kick out' clause was part of the policy for limited dividend loans. Instead, the co-operatives proposed that the resident pay an increased monthly charge of an amount equal to the savings due to the BMIR.

Co-operatives found that the incomes-to-rent ratios required were high. Calgary affords a good example. Prior to the meeting in Ottawa at which the income limits were thoroughly adjusted, the Corporation had established as the minimum qualifying income for the units an income of 3-1/3 times the monthly charge, not including heat or utilities. This would mean that 30% of the income was being devoted to basic shelter cost and would be quite close to gross debt service. General Instructions # 344 on changes in income levels for conventional Section 16 projects specifically instructs the Branch to allow for all such services, even if not included in the rent, when establishing the appropriate income scale. In Calgary, once the amounts for heat and utilities were included, applicants with minimum income would be spending 32.3 to 32.7% of income on rent. Furthermore, the residents must of course put up a member loan for the equity.

For comparison, the maximum rent-to-income ratio in public housing is 25%. Even at the maximum income allowed at the BMIR, once utilities were included the percentage of income devoted to rent remained between 29.7% and 30.9%. A similar project under a conventional Section 16 loan would have had a minimum income rarely exceeding 3-1/3 times the fully serviced rent, and the maximum income would not have been reached until 21.7% of income was expended on rent.

And of course, in this situation the resident would not be obligated to provide any equity for the project. The reason that a resident of the Calgary co-operative could reach the maximum income allowed at the BMIR and still be paying 8-9% more of his income for rent, without making allowance for the equity, than a resident of a limited dividend project, was because the maximum income limits were not based on the fully serviced monthly charges and the spectrum between maximum and minimum incomes was extremely small.

Even more severe was the problem of the upper income limit, which was only \$500 a year higher than the minimum in each category. This is only \$10 per week, or \$.25 per hour! And for the larger 3-bedroom units (Unit Type 3A) which comprised just over one half of the units in the project, the maximum allowable increase in annual income was \$360! Families whose incomes exceeded this amount at the time that they were in the project would not be forced out. Rather, once the upper income limit was passed, the monthly charge ceased to be based on a mortgage at 7-7/8% for forty years, and jumped to a mortgage base of 9-1/2% over thirty years. This meant increases in monthly charges

of from \$22 - \$30 a month, depending on unit size. This was far more punitive than public housing. Between housing cost and income tax, most families would actually find that an increase in income would cost them money.

The formula for Calgary was revised but only after an expensive trip to Ottawa to meet with Head Office officials. It was still very stringent.

Part of the difficulty may be technical. In these instances and others, the Corporation seems uncertain of what monthly charge to apply the relevant percentages to. Since the notion of co-operatives as home ownership has been so well grounded within the Corporation there is a strong tendency to refer to gross debt service ratios. However, since it is realized that this does not make a great deal of sense, a reference to the monthly rent has also been included in several instances. The following quotation from a letter from the Toronto branch office to a local co-operative is fairly typical. "We would therefore expect to find these incomes generally in the range derived from 3.33 to 4.6 times the rental or gross debt service of the units." (July 15, 1971)

But since the Corporation has not diligently policed incomes in limited dividend projects,⁶ there is a real question as to why they have become so preoccupied with it in the case of co-operatives.

6. M. Dennis and S. Fish, Programs in Search of a Policy, pp. 288-239; J. C. Limbrey, Survey: Income of Tenants in Housing Built Under Section 16 of the National Housing Act (Ottawa: CMHC, July 1971) p. 6.

A third requirement applies only to co-operatives. It is that a given percentage of units, usually 50% or 80%, must have committed residents before a loan commitment or mortgage progress advance can be made.

The 1949 NHA amendments provided that before making a loan to a co-operative CMHC must satisfy itself that 80% of the units would be occupied by members. This was a sensible proposal, and the CMHC files make clear that its objective was to prevent a building co-operative from turning into a speculative building company by selling its production.

But this provision has been transferred to the continuing co-operative where no units can be sold individually.

The statutory requirement has generally been interpreted by the Corporation to mean that prior to loan approval, a co-operative must have members signed up for 80% of the units. If the loan is approved before this requirement is met, then no advance would be made by the Corporation prior to the fulfillment of the 80% requirement. General Instruction No. 310 expresses it in the following manner:

5 (2) "The Act requires that 80% of the units in the project must be occupied by share-holders of the co-operative. Responsibility for ensuring that this is the case lies with the lender. Before direct financing may be approved, at least this proportion of the total membership must be signed up as shareholders and accepted as borrowers. Ideally, the membership should be 100% subscribed and accepted before advances are made."

The Corporation has on many instances in meetings and correspondence with co-operative representatives stressed that their policy on

loan approval and progress advances was a matter of statute. Yet the performance of the Corporation has varied greatly.

In the case of Willow Park, the Corporation used this provision of the Act to withhold an advance until 50% of the units were occupied by members. In Windsor, the Branch Manager viewed the 80% requirement as the responsibility of the co-operative. Once the co-operative received supplementary letters patent incorporating this 80% provision, the manager made progress advances on a normal basis. Letters sent from head office to branch offices in connection with the approval in principle of the co-operative projects under the \$200 Million Special Program generally contained a clause stating that 80% of the units must be occupied by members of the co-operative. This was not always related to the basis on which advances would be made.

The Calgary co-operative was instructed that no advance would be made until applicants had been approved for 80% of the units. Once construction was underway, the co-operative met with senior management of the Corporation and the required percentage was reduced to 50%. Willow Park East had been advised from the start of a 50% approved applicants requirement. The only reason the Western co-operatives are able to continue under this adverse policy is because of the assistance received from co-operative financial institutions. In Ontario, the absence of such institutions for bridge financing would effectively eliminate co-operative development.

In London, the Corporation was exceedingly helpful and made an advance to the co-operative even prior to the commencement of con-

struction for the purchase of land and payment of service levies. In Toronto, Co-op Habitat received initial advances on a normal basis but it has been advised that advances will continue to be made only in connection with some evidence that the co-operative is disposing of units to applicants within the target population. Toronto's Alexandra Park Co-operative was required to have members for 25% of the units before an advance would be made.

In Oshawa, CMHC has recently stressed that 50% of the units must have members signed up before the first mortgage advance. The Federal paper to the Federal-Provincial Conference on Housing of January 1973 states that a condition will be that "A minimum of 51% of future members have signed agreements at the time the mortgage is committed." (FPH # 34)

This requirement puts CMHC substantially in a risk free position. But it makes it virtually impossible to develop a co-operative, unless plentiful interim financing is available.

When one realizes that no such requirement applies to other forms of non-profit housing, a church developing a senior-citizens home, say, then a real question arises as to its perseverance here.

2. Co-operatives have long felt that the prejudice toward co-operatives within the Corporation has been best expressed by the reactions to their persistent attempts to obtain limited dividend financing. This is important enough to justify an extensive review. We have already looked at this question in the context of the building co-operative.

In 1963, George Davidovic, Research Director of the CUC, produced a lengthy paper on "Housing Legislation and Co-operative Housing".

When the Advisory Group of the Corporation reviewed the Midmore and Davidovic reports, they could not seem to quite grasp how a co-operative organization could provide housing under limited dividend and still be faithful to itself as a co-operative. "It is difficult to see how a co-operative could undertake to reserve occupancy for special groups of low income or otherwise disadvantaged people, and still remain a co-operative; but if it could, there does not seem to be any reason why it should not qualify for the special lending terms provided in the Act for such projects. In such a co-operative project, however, the tenants themselves could have very little control over occupancy, either their own or that of others, and this does not seem to be characteristic of what co-operative housing usually seeks." This judgement seems to be based on the expectation that a co-operative limited dividend project would be controlled by a co-operative which did not include the residents of the project as members.

This period marks of the emergence of a crucial equivocation on the meaning of "co-operative". The Corporation began to suggest that a co-operative could be an eligible Section 16 borrower. But the co-operative they had in mind would not contain residents of the project among its membership. It would simply be a Section 16 project sponsored by a co-operative organization whose primary field of endeavour was not housing. The CUC was encouraging its members to

become involved in this form of housing, but this was not the type of co-operative for which legislative or policy change was being sought. Co-operatives were seeking Section 16 financing for projects owned and controlled by their member-residents.

The issue seems not to have emerged again until 1968 when the NLCC program was exciting a great deal of interest.

On February 6, 1969, the President of the Corporation wrote to the Minister, the Honourable Paul T. Hellyer, about co-operative housing and proposed the following:

It is proposed that the definition of a limited dividend company in Section 16 be widened so as to include certain housing co-operatives comprising low income families. Specifically, a housing co-operative would only be eligible under this definition if it was a low income continuing co-operative with the members owning shares in the co-operative and having possession, but never becoming owners of the individual units (e.g. Willow Park). Thus, such co-operatives would be entitled to 95% loans repayable over 50 years at a preferred interest rate - the same terms as are proposed for loans made on limited dividend projects. The low income requirements governing these co-operatives would also be the same as the limited dividend projects so that the operating agreement with the co-operative would ensure that shares in the co-operative, which carry the right to the possession of individual units were only sold to low income groups during the fifteen year "lock in" period.

This is the type of revision to the Act which co-operatives had been requesting.

When the Act was amended in the spring of 1969, Section 16 was changed significantly and the eligible borrower was described as any "person", rather than as a limited dividend company. Co-operatives thought that their work to obtain a revision in the terms of this section of the Act had been successful. Both the notes to the

amendments in the parliamentarian's version of the Act, and a statement in the Canadian Housing Statistics seemed to indicate that co-operatives were now eligible. The 1969 C.H.S. states, for example, that under the changes in Section 16 "Loans may be made to any person or any type of organization, including a co-operative" (Page XVI).

Before the amended Act could be tested, administrative policy makers decided that "any person" did not extend to a co-operative composed of member residents.

MEMORANDUM

CENTRAL MORTGAGE AND HOUSING CORPORATION

Head Office

Mr. H. W. Hignett
President

May 27, 1969

Section 16 loans and Co-operatives

There is a continuing amount of confusion being created by attempts by the C.H.F. to obtain an interpretation for Section 16, as amended, provides low interest rate loans for home ownership in co-operative form. In these simplified terms the legislation does not fit since it still provides loans, for ~~low~~ rental housing projects. Under the legislation a co-operative could obtain a loan under Section 16 renting all the units to its members provided they are families of low income. The operating agreement would be the same as for other low rent housing sponsors and would require a kickout when the tenants cease to be persons of low income. It is the latter feature that is causing the C.H.F. some pain and suffering because it is inconsistent with the home ownership pitch the co-operatives have been using.

~~It would be possible for us, and I have indicated to Jim~~

MacDonald that we would consider the matter, to make some alternate arrangements to the kickout. The simplest technique would be to increase the interest rate on a unit occupied by an over income family to the economic rate. Presumably the co-operative would equally increase the rent to cover the interest differential. This alternative would have to be available before the end of the 15 year lock-in and you will recall that even the 15 year lock-in under present policy requires repayment of the balance in full.

There remains one small problem in the resolution of the matter, namely who provides the equity? I find it a little difficult within the concept of low rental housing to accept the propriety of limiting its accessibility to low income people who have a 5% equity.

A. D. Wilson
Executive Director

ADW:hdm

Handwritten note to Mr. Wilson
OK - we stay with rental housing.
H.W.H. 28 May 1969

The memorandum asserts that co-operatives are home ownership. It refers to "home ownership in co-operative form" and "the home ownership pitch that co-operatives have been using". This is contrary to fact. Cooperators have been quite clear that multi-unit, par value co-operative projects do not provide home ownership. They were, however, interested in seeing that co-operative projects preserve security of tenure. One of the objects of co-operative tenure is to reduce the uncertainty of tenure which is commonly the situation of a renter.

A subsequent memorandum prepared for the President to present to the Minister, continued the same view of co-operatives as a form of home ownership and the request of co-operatives for access to Section 16 funds as a request for subsidized home ownership. "There have been for many years proposals put forward that the Federal Government

should subsidize home ownership on one form or another. Indeed the co-operative management for many years has sought favourable interest rate for co-operatively sponsored housing.⁷

The memorandum went on to discuss the co-operative's request for access to Section 16 funds.

"We are presently prepared and authorized to provide loans to the same level and covering the same amenities for co-operatives as for any other form of housing ownership. We took the view when the brief was originally presented to us that Section 16 however provides favourable interest rates for low income tenants whose entitlement to occupy the housing ceases when they cease to require the subsidized interest rate. This means, for practical purposes, that we would finance a project sponsored by a co-operative in precisely the same manner as one sponsored by any private developer, subject to the same provisions for rent control and income eligibility limitation. The co-operatives on the other hand, while relying on the technicality that the occupant is a tenant, promote entirely the concept of ownership rather than tenancy, and they have indeed proposed that the tenants provide the equities required to finance their units. We feel this to be inconsistent to the basic concept of the legislation as it is presently written."

This marks a reversion to the co-operative as a sponsor only; far less than the proposal which had been presented to the previous Minister. True co-operatives are still ruled ineligible. In view of the previous proposal to the Minister it is hard to see why the provision of the 5% equity by the resident member should be put forward as unconscionable.

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7. H.W. Hignett, President (A.D. Wilson) to Hon. R. Andras, September 24, 1969.
 8. A memorandum prepared the next month, October 24, 1969, for the Minister's Office prior to his meeting with the Co-operative Housing Foundation maintained the same position.

Co-operative leaders met with the Minister and senior officers of the Corporation on October 27, 1969 to talk about a variety of matters concerning co-operative housing. A generous portion of the discussion centred on co-operative access to Section 16. It is the impression of cooperators who were present at the meeting that the Minister agreed to fund a few genuine co-operative projects on an experimental basis under Section 16.

The letter sent by the Minister to the N.L.C.C. after the meeting was, however, somewhat less committal:

"There is no doubt that co-operatives might also effectively act as the sponsors of rental housing projects for low income families, funded under Section 16 of the National Housing Act. As I recall, we agreed that you would explore with Central Mortgage and Housing Corporation, the possibility of developing an initial exploratory project. I am very hopeful that workable techniques can be developed which will permit occupants to own equity in the project, and when they are able to do so, pay fully economic rent."

This letter, as initially drafted by A.D. Wilson, contained an additional statement. "Such a project might be originally occupied by persons lacking downpayments and unable to pay rent sufficient to capitalize the project to current high interest rates." This sentence had been removed by the Minister's Office. Removing it tacitly informed the Corporation, if not co-operatives, that the Minister was open to proposals where the equity would be supplied by the member residents.

The first test in a project situation came in Regina. On August 15 the Branch Manager became aware that the equity for the

project would be put up by the tenants of the project over a period of some years. He found this somewhat disturbing and requested the advice of Head Office. The initial Head Office reaction was very straightforward, "This is a repeat request by Midmore and Mr. Wilson has repeatedly told him tenants are tenants; no part owners under Section 16." Clearly the Director of the Loans Division did not regard the Act as having changed the situation of co-operatives with respect to limited-dividend financing.

On August 27, 1969 Mr. Midmore visited Ottawa and a meeting was arranged at Head Office with senior loan officials of the Corporation. At the meeting the Corporation, particularly in the person of Mr. Wilson, indicated a much more flexible attitude toward this potential project. It was agreed in principle that a loan might be made under Section 16 with the residents not paying any substantial equity portion upon occupancy. Instead this would come from the co-operative and would be repaid by the resident of the unit under what was termed a "forced savings plan". In the following month, the co-operative suggested a number of ways in which this might be carried out. Somewhat later in the fall it appeared that the project might revert to a straight Section 16 rental project. At this point A.D. Wilson wrote to Mr. Midmore as follows:

"I was a little disappointed to learn from your letter of October 28, that the project you are considering for Regina will now likely evolve as a straight low rental Section 16 project. Let me say immediately however, that I am very glad indeed that the co-operative is prepared to sponsor this type of project.

We are still prepared to attempt to work out ways and means of adapting the Section 16 projects so that the original low income tenants may, as their circumstances improve, develop an equity and ultimately move into an economic rental position without having to abandon the housing unit and the relationship they will have created with the other members of the co-operative sponsor who are their immediate community. We have not yet done such a project but it was quite incorrect for our local office to advise you that any proposed system of sur-charges is not possible. We are hopefully prepared to take a much more positive attitude and by keeping all possibilities open may achieve some break-through."

It might be remembered at this point that one week ago, Mr. Wilson had attended a meeting between the National Labour Co-operative Committee and the Minister. At this meeting, the Minister agreed to finance a few co-operative projects under Section 16 on an experimental basis.

In the course of the further discussions concerning a loan for the project, we meet the only unequivocal statement by the Corporation, that indeed the Minister had agreed to make Section 16 loans available to co-operatives on an experimental basis and with the resident of the unit supplying the full equity for it.

"The Minister has indicated to the National Labour Co-operative Organization that he would be prepared to approve a loan under Section 16 to a co-operative even though the latter requires the provision of full equity from the tenant as a condition to entry."⁹

Since Section 16 funds were fully committed for the year, no further action was taken on the project.

9. A.D. Wilson to Director, Loans Division, December 9, 1969.

In January 1970 a memorandum was prepared for the President to submit to the Minister to obtain his concurrence to the making of a Section 16 loan to the Regina project. The tone and direction of the memorandum is such as to imply that there was no connection between this project and the program of the National Labour Co-operative Committee.

The Minister agreed to proceed with this loan "provided that this does not in any way preclude the N.L.C.C. proposals."

The Co-operative was advised accordingly that the Corporation would be prepared to proceed with the loan if market conditions in Regina would show it to be viable. An attempt was made to pre-sell units but there was little response through the spring of 1970 and so the project was cancelled.

Subsequent to the meeting of the National Labour Co-op Committee with the Minister in October 1969, a Windsor newspaper reported that the co-operative was investigating a second project and was intent upon using Section 16 funds from the Corporation. The Branch Manager wrote to A.D. Wilson to ascertain whether or not funds were in fact available to a co-operative on a Section 16 basis. Wilson's reply dated 12 Setpember 1969 states that the Corporation is committed to only one to two "experimental" projects which have not yet been identified and that co-operatives under Section 16 are certainly not an established program. The argumentation presented in the memorandum, however, is full of ambiguity and equivocation. The key

section is as follows,

"The Minister agreed at the meeting, however, that it would be in order for us to consider one or two projects to be built by co-operatives to be leased to members of the co-operatives who would be required to provide their appropriate share of the equity. In this sense such projects would vary substantially from rental housing under Section 16."

Wilson seems to take some pains to point out that this is a project which creates leasing as a form of tenure but which still varies from rental housing. In fact, it varies from it so significantly that it cannot really be thought of under Section 16. Yet there will be some experimentation. The tone was to discourage the possibility of a project by a "no-maybe" response.

Notwithstanding the agreement of the Minister, co-operative groups which approached the Corporation in various cities were told that co-operatives were not eligible under Section 16 of the Act, and that all co-operative loans would be made under Section 40.

The writer is aware of a number of co-operative groups which approached various C.M.H.C. offices and which were told in each instance, usually after consultation with Head Office, that Section 16 was not available to co-operatives.

The following is cited as a typical response of head office to a query from the field as to the eligibility of co-operatives under Section 16, even on an experimental basis.

"We note that you have advised the co-op to proceed on the assumption that the loan will be granted under Section 40 and at the present time this is the correct stance. The co-op union has long contended that they should have available funds at special concessions. The Corporation has not

agreed to all of their demands but the argument continues. If there are any changes we will let you know."¹⁰

There certainly had been substantial changes, albeit on an experimental basis, but the office was not notified.

Several housing co-operatives received mortgage loans in 1970, but no loans were made under Section 16. All were made at the BMIR under Section 40. The differences between the two sections, even when the interest rate is the same, are substantial.

<u>NHA Section</u>	<u>15 (16)</u>	<u>58 (40)</u>
1. Term	50 years	5 years (roll over)
2. Amortization	50 years	40 years
3. Interest rate	varies: same for both programs	
4. Fees	not necessarily	\$35.00/unit
5. Insurance fee	none	1% of loan
6. Formal program?	yes	no
7. Annual incomes of client population	C 5000-8500	C 5000 +

Even with the support of the Minister, co-operatives did not obtain access to Section 16 loans. Such is the power of dedicated administrative policy-makers.

10. Assistant Director, Loan Division to Manager, London,
September 3, 1970.

Chapter 7

POLICY, ORGANIZATION AND VALUES

We have seen that the policy toward housing co-operatives which was elaborated in the context of operational decisions in the course of projects was hardly congruent with the values of the co-operatives themselves. It is a characteristic of CMHC that policy towards co-operatives was largely made in the context of project decisions. This was not entirely the case; there was one other circumstance in which the Corporation considered policy matters. This was in response to briefs or submissions by the co-operatives to either CMHC or the Minister responsible for the Corporation. The CMHC responses to these submissions, and the process by which they were considered, provide additional insight into the value constellation which dominated the Corporation. They also provide an opportunity to make some estimation of the relationship between structure and policy output.

In 1962 and 1963, CMHC was presented with three different submissions concerning co-operative housing. The first of these was the Midmore Report. Following this, a submission was received from the National Secretary of the Co-operative Union of Canada. Also during 1963, George Davidovic, CUC Research Director, produced a paper entitled "Housing Legislation and Co-operative Housing". The thrust of all these documents was toward the development of the

continuing co-operative sector. All sought assistance from CMHC to enable such a sector to become a significant part of the Canadian housing production system.

The first reaction to the Midmore Report was from the Chairman of the Advisory Group in December 1962:

"I am afraid I can't be converted to any personal enthusiasm for the idea of co-operative ownership of real estate. People ought to be as free as possible to find the kind of shelter they require as their accommodation needs change and any unnecessary entanglements ought to be avoided. However, if the Canadian co-operative movement proved to be an effective instrument for getting good housing built at modest cost - the more power to them. It seems to me that CMHC can be completely neutral on this matter. We have no special mission to favour or encourage housing co-operatives, but we offer them every aid available under the Act.

The question of "next steps in connection with the Midmore Report" is entirely a question for the Co-operative movement itself."

In short, the author is saying that he has little preference for co-operative housing and as a result cannot see that the Corporation need do anything other than what it was presently doing. This of course was to completely ignore several specific requests made in the context of the Midmore Report. It also revealed again the belief within the Corporation that it was a neutral instrument.

In May 1963, the Advisory Group reported on their discussion of both the Midmore Report and the submission from the CUC National Secretary. The review seemed to be extremely narrow in its approach. It consisted simply of a consideration of the points raised within the two submissions, rather than making an attempt to assess the

possible costs and benefits of co-operative housing from the stand-point of federal housing policy. The review concluded that there was little that was required of the federal government.

"Mr. Midmore's study concludes with recommendations about how to strengthen co-operatives as a housing force in Canada. This part of his study is clear in its realization that most of the difficulties lie within the co-operative movement itself. Very little of what he has to say in these recommendations has anything to do with CMHC....it may be that there should be a special section in the Act dealing with co-operatives, but it is awfully difficult to tell without knowing something of what it would contain.as mentioned earlier, the significance of the Midmore Report for us, is largely in what it urges on the co-operative movement itself rather than what it recommends for federal housing policy."

In October 1963 the Chairman of the Advisory Group commented on the Davidovic paper:

"At present the posture of the National Housing Act and of CMHC is, I suppose, quite neutral and objective...in general, co-operative ownership has been regarded as one of the forms of private ownership and the facilities of the National Housing Act are available on much the same terms as for any other form of private ownership."....

"Perhaps the strongest claim for a preferential attitude towards co-operatives springs from an evangelical point of view associated with the co-operative movement. The co-operative movement is based on a genuine and admirable socialist view that people should be able to conduct their own affairs for their own well-being, without the element of private profit and without being prejudiced by outside economic interest."...

"Cooperative ownership seems to fit a social situation requiring less flexibility." The author goes on to put forward what he admits is a quite personal consideration.

"To live in a city neighbourhood happily and successfully, people find that they must maintain a polite but somewhat withdrawn (arm's length) relationship with neighbours. These harmonious relationships can be easily upset when issues of a quite different kind are introduced. Home is a very private thing and anything to do with one's own private affairs is best kept independent and separate from the friendly contacts with neighbours. This is the nature of life in cities and city people are wise to avoid getting into situations that may cause disagreements, friction and entanglements with neighbours. I can't imagine anything more likely to jeopardise this kind of stability of family life than becoming involved in a venture of co-operative housing. For this reason I, personally, find it very difficult to appreciate the evangelism of co-operative housing in the context of city life. It is a form of endeavour that lends itself to certain kinds of business undertaking (sharing with your colleagues, for instance, in the marketing of your products). But it strikes me as being peculiarly unsuited to the cultivation of a free and independent life in the modern city.

I don't feel that the advocates of the co-operative method have yet made an impressive claim for the virtues of that system either on account of its social virtues or on account of its merits as an industrial system for housing production. Until this claim has been substantiated (and I doubt that it can) I don't see much value in pursuing a discussion about granting incidental favours to co-operatives."

This reveals plainly the conviction that the values which dominated the co-operative housing component were at sufficient variance with those of the senior policy-makers in the Corporation that it was felt reasonable for the Corporation to adopt a passive position. That is say, the Corporation would wait upon co-operatives to prove their case for increased support rather than

the Corporation, as the federal government's agency responsible for housing, undertaking an assessment of co-operatives as one way to meet the housing needs of the Canadian population.

The response of the Advisory Committee becomes even less rational when it is realized that it was precisely during this period that the Corporation was facing difficulties in applying the Act to the Willow Park project in Winnipeg. It was at this time that the Corporation's general counsel was writing that the meaning of the Act was "quite unclear" in relation to multiple unit continuing co-operatives. Even though this difficulty was being raised internally it had no effect on consideration of a more appropriate policy for housing co-operatives.

The Advisory Group was the closest unit to a policy unit in the Corporation at this time. Its major function, however, was not policy research. It was the administration of responsive research requests, that is to say of requests for funding assistance under Part V of the NHA. This meant that the Advisory Group was in touch with neither the day-to-day concerns of the operating arms of the Corporation nor with the state of the art in housing policy.

This became apparent in 1965 when the Advisory Group carried out a review of the National Housing Act. This inquiry "did not uncover any remarkable failures and deficiencies in the present Act." (Page iii) This inquiry did make a number of modest suggestions for improvements in the Act but it did not examine in any comprehensive

way the implications of the Willow Park project or of the notion of the par value continuing co-operative. It did recommend that co-operatives and housing associations be recognized as "corporate agencies of a public service character" (page 14) and eligible for limited dividend loans. It is not clear however whether or not the co-operatives were intended to be ones providing rental housing only, or whether they could be ones which were composed of their member residents.

In 1969, the Corporation was again called to respond to submissions from co-operatives. In this instance, the submissions were reviewed by the head of the operating division which had most frequent contact with co-operatives. These memoranda were prepared on September 24 and October 24, 1969, in preparation for the meeting between the Minister and co-operative leaders.

The tone of the memoranda is so critical that the author concludes the second one as follows, "All the foregoing may suggest a rather negative attitude of the bureaucracy toward co-operative's new thinking that has been prepared as a balancing paper to the submission not as a counter-argument to the philosophy".

When we examine some of the specific points which are made, it is difficult to give much credence to the disclaimer.

The Executive Director for Loans had still not accepted the notion of the development co-operative as a means of drawing social organizations into the provision of housing. Because the eventual

residents are not identified at the beginning of the project he says that the operations of these co-operatives are "much more akin to those developed by speculative builders than they are to an expression of mass community of interest.... I cite this only as an example of points with which issue could, but probably should not be taken."

The memorandum also attacks the financial and managerial stability of continuing housing co-operatives. "One of the problems that the co-operatives have continually faced is the fact that their costs of developing housing projects generally run higher than the competitive private market. Part of this is because of the necessity of charging substantial promotional and organizational costs against the project over and above the ordinary construction contractors overhead and profit." Since at this time the only recently completed housing co-operative was Solidarity Towers, where the promotional and organizational expenses were practically nil, it is difficult to determine any factual basis on which this statement could be made. It may be just another example of the value preference for the private development industry.

One of the co-operative requests concerned assistance from CMHC in obtaining loans from approved lenders. Co-operatives felt that it was important that they should not have to rely on CMHC for all lending. The memoranda reacts to this as follows, "It does not suggest how we can coerce them [approved lenders] into making loans to co-operatives whom they distrust... Regardless of our efforts it

is unlikely that in the face of performance of co-operatives to date lenders will greet applications with any enthusiasm at all". Again, the only two continuing co-operatives in existence were not having any financial difficulties at all. On what grounds is this statement made? The only possible explanation is that it could refer back to the period of the building co-operatives which, particularly in Ontario, did suffer financial difficulties at various times. The basic point of the brief from the co-operative was to move CMHC from seeing the continuing co-operative as an extension of the building co-operative and instead to develop a policy that would meet its particular requirements. This response shows that the Corporation is unable or unwilling to do it.

Against these statements we must also accept another statement by the same author written only a few weeks later. The letter was written in response to information which was submitted about attempts to obtain funds from a pension fund administered by an approved lender. The Trustee evidently raised the issue of co-operatives being risky mortgage borrowers. The Executive Director for Loans replied "Certainly there has been no Canadian experience to indicate that co-operatives are bad mortgage risks to our knowledge. Apart from this the mortgage loan insurance should by itself be a comparatively effective answer." One can only marvel at the difference in perception that is communicated to the Minister and to a co-operative correspondent in Windsor.

The Executive Director for Loans had a long standing concern that

co-operatives were against the existing public private housing system "All the (co-operative) representatives seem to feel that there is something sinister in the institutions of the entrepreneur and that in some manner it should be replaced by amateur groups self-interested but ignorant citizenry guided by the wisdom of experts provided free by the State." This was the commentary on the co-operative request for technical assistance from the Corporation.

Corporation officials on several occasions have proclaimed the neutrality of the Corporation as a reason why it could not promote or encourage co-operative housing. The hollowness of this position is revealed by the Corporation's aggressive promotion of condominium housing during the late 1960's. The Corporation provided a number of loans in order to assist condominiums to get underway. The Corporation produced a substantial amount of publicity material on condominiums including a complete double issue of Habitat (Vol. 12, No. 4-5, 1969).

Senior Corporation officials also invested considerable time and energy into speaking to various sectors of the housing development industry to encourage their participation in condominium housing. On September 24, 1969, the Executive Director for Loans spoke at a Workshop on condominium building and financing organized by the Urban Development Institute. The institute is an association of developers. The institute summarized his address this way.

- Sales. No difficulties have been experienced and little advertising has been required. The problem has been more one of selecting purchasers. Frequently there have been five or more takers for every unit. Up till now the

risk has been lowered through the ability to select buyers

- CMHC has no record of any default to date
- Resales. Resales have been fantastic with substantial mark ups in most cases
- lenders cannot demonstrate unfavourable experiences, particularly in Canada.... Actually, condominium loans are ideal for a lender.

.There is certainly little evidence of the Corporation's supposed neutrality at play here. This merely reinforces the perspective that the reticence of the Corporation in the case of co-operative housing was due more to a conflict in values than to bureaucratic neutrality, co-operative performance records, or the structure of the Corporation.

There has been a partial answer to the situation. Significantly, it came through structural intervention from the executive policy making level. This was the introduction into CMHC of a Policy Planning Division in 1970-71. The demand for such a capability within the Corporation came from the Minister, and the first Executive Director of the Division was the former Special Assistant to the Minister.

This provided a context for a more rational study of co-operative and other forms of housing. The introduction of this Division demonstrates the converse of H.A. Simon's statement "The larger the area of rationality, the less important is the administrative organization."¹

1. Herbert A. Simon, Administrative Behavior, (New York: Free Press, 1965) p. 244.

On March 15, 1973, the Hon. Ron Basford introduced Bill C-133, An Act to Amend the National Housing Act. This Act provides for the first time, specific provisions which acknowledge that the housing co-operative is different from the building co-operative and has its own distinctive requirements. The legislative provisions are quite extensive, and should allow co-operative housing to play an increased role in the area of low and moderate income housing needs.

Despite the increased rationality of policy formulation as a result of the introduction of the Policy Planning Division, the actual decisions as to policy are not made by the Division. The greater appreciation of co-operative housing within Policy Planning Division is still not shared by senior management of the Corporation. Mr. Basford reported in the context of two meetings, that his personal intervention was necessary in order to obtain a specific section within the Act dealing with co-operative housing. This is something co-operatives have been requesting since the Midmore Report in 1962. It is surely premature and at this point unrealistic to expect that this new legislation will have any significant effect upon the distribution of values within the Corporation. Consequently, it is reasonable to expect that co-operatives may continue to experience difficulties at the level of administrative policies. It should be noted that the design of the specific programs which are now provided for in the legislation has been taken from the Policy Planning Division and given to the Operating Divisions.

Concluding Observations

A number of concluding observations are in order.

First, there is sufficient evidence to justify the position that the CMHC posture toward the housing co-operative is a result of the values of the administrative policy makers of the Corporation. It is important to stress that the conflict lies at the level of values and not at the level of more transitory attitudes. The principle areas of value conflict lie in the notion of non-profit housing and the nature of the family and the appropriate physical environment for it.

The study is suggestive as to the appropriate unit for different kinds of policy making. This is really a question of positional policy in itself. We have in the course of this thesis seen three different examples.

The Loans Division was itself largely responsible for the original development of policy toward the building co-operative in the mid-1950's. This policy was successful because it was empirically based and because the Loans Division did not have substantial value conflicts with the program clientele. In addition, what was under investigation, was not actually policy but more concrete program specifications. The Advisory Group, on the other hand, did not deal rationally or empirically with the question of policy for co-operative housing. The reason for this would seem to lie in the fact that the Advisory Group is not sufficiently differentiated from the line management of the Corporation and as a result shared the dominant values in the Corporation. Policy Planning Division on the other hand is much more highly differentiated in staff background and in their position within the Corporation.

Thirdly, the study has presented two instances of active ministerial intervention in the Corporation. Both of these have related to policy and are thus cases where the executive policy level has seized its de jure power. The first of these concerned the agreement to provide mortgage loans to co-operatives under Section 15 on an experimental basis. This came to nought because the policy of the minister was subverted by the administration who channeled all loans to co-operatives into Section 58. In response to a question posed to them by the Low Income Housing Task Force, they replied that the ministerial agreement covered only the interest rate and not the other features of Section 15. This is in direct contradiction to the documentation written at the time of the ministers agreement.

The other instance of ministerial intervention concerned the demand for a separate section for co-operatives in the National Housing Act. This intervention was successful because it dealt with legislation, an area of direct executive level policy making.

Fourth, in Chapter I we introduced the notion of non-decision as a means whereby administrative policy makers deflect policy change, particularly from minority groups. In the course of this examination we have seen several good instances of such non-decision. In CMHC, the posture of non-decision was closely aligned with the posture of bureaucratic neutrality. CMHC, that is to say, claimed to be neutral and thus no decisions were required of it. The changes that were necessary were within the co-operative ambit not within the Corporation or in the NHA.

Fifth, I would like to stress the need for documentary and other not normally accessible information in order to enable administrative policy making to be studied. At the present time, the study of administrative policy making is rather like the seven blind men describing the elephant. This situation must persist until such time as there is widespread knowledge of administrative policy making in different types of organizations operating in different policy fields. A thorough understanding of administrative policy making is necessary particularly with reference to clienteles that do not have access to the executive levels of government. It is they who generally bear the brunt of administrative policy which has been changed from what had been intended by the executive level or from policy which in its own terms is unacceptable.

Greater knowledge of administrative policy making will require greater openness on the part of governments and bureaucracies. At the federal level in Canada, there is little evidence at the present time that this is a real possibility. On the same day that Mr. Basford introduced the amendments to the National Housing Act, the President of the Privy Council tabled a government paper concerning "Notices of Motion for the Production of Papers".² These principles would "exempt from production" internal departmental memoranda and other correspondence routinely received by government agencies. It would also restrict the availability of studies by consultants who had access to internal government material.

2. Canada House of Commons Debates, Vol. 117, No. 51 (March 15, 1973) Appendix "B", p. 2288.

In the near future then, we might have to rely on what Arthur Schlesinger has called the "participant-historian." Mr. Schlesinger has defended this notion as a necessary device for obtaining a perspective and form of information which is not accessible to the conventional historian.

As the society increases its variety of lifestyles and value commitments, then there will gradually be an expansion of the range of value commitments that are represented inside government organizations. In the near future this will prove to be the most effective source of information about administrative policy making. The range of values, and the occasional conflict of personal values with organizational values, will lead to increased incidents where individuals will make public the administrative policy making patterns or particular manners of administration in government departments. The resignation of the four writers from the Senate Committee on Poverty in 1971 was one example of this. Daniel Ellsberg's publication of the Pentagon Papers is another example. This thesis in its own right forms a vehicle by which greater understanding of the administrative policy process can be obtained by the public.

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1. General
2. Policy and Organization
3. Housing and Co-operatives
4. Values

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APPENDIX A

From J. Jordan, Co-operative Housing: Program Review and Proposal

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